

**INVESTOR PACKAGE**

**Chanhassen Brewing Company**

Minimum Offering: \$515,000

Maximum Offering: \$833,000

Series A Units

Purchase Price: \$1.00 per Units

**DO NOT REPRODUCE**

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The Date of this Investor Package is July 26, 2019  
The Date of Expiration of the Offering is July 26, 2020

**Chanhassen Brewing Company**  
**UP TO \$833,000 of Series A Units**

Chanhassen Brewing Company, a Minnesota limited liability company, is offering a minimum of 515,000 of its Series A Units for an aggregate total of \$515,000 and maximum of 833,000 of its Series A Units for an aggregate total of \$833,000, at an offering price of \$1.00 per Series A Units, pursuant to this Investor Package. The minimum required investment is \$5,000, unless waived by the Company, in its sole discretion.

All funds received from investors will be held in an escrow account at Sunrise Banks in until such time as the Company has received subscriptions for 515,000 Series A Units (an aggregate amount of \$515,000) or until the earlier expiration or termination of the Offering, as provided herein. Once we have reached this minimum threshold, we may begin using proceeds received from those investors.

The offering price of the Series A Units has been arbitrarily determined by the Company. Before this Offering, there was no market for our securities, and such a market may not develop in the future. The Series A Units will be “restricted securities” under the Securities Act, must be held for investment purposes only and are subject to substantial limitations on resale or other transfer. You must purchase the Series A Units for your own account and must assume the economic risk of investment for an indefinite period of time.

YOU ARE URGED TO SEEK INDEPENDENT ADVICE FROM YOUR LEGAL AND FINANCIAL ADVISORS RELATING TO THE SUITABILITY OF AN INVESTMENT IN OUR COMPANY AND OUR SECURITIES, IN LIGHT OF YOUR OVERALL FINANCIAL NEEDS AND WITH RESPECT TO THE LEGAL AND TAX IMPLICATIONS OF SUCH AN INVESTMENT.

THIS DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING AND INDIVIDUAL TAX ADVICE, PARTICULARLY BECAUSE THE INCOME TAX CONSEQUENCES OF AN INVESTMENT IN A CORPORATION OR LIMITED LIABILITY COMPANY SUCH AS OUR COMPANY ARE UNCERTAIN AND COMPLEX AND MANY CONSEQUENCES WILL NOT BE THE SAME FOR ALL TAXPAYERS. ACCORDINGLY, YOU SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF YOUR OWN TAX ADVISOR, TAX COUNSEL OR ACCOUNTANT WITH RESPECT TO YOUR PROSPECTIVE INVESTMENT IN THE COMPANY. NOTHING IN THIS OFFERING DOCUMENT OR THE ACCOMPANYING DOCUMENTS IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE.

**INVESTOR SHALL FOLLOW ALL INSTRUCTIONS AT SPPX.IO.**

On behalf of Chanhassen Brewing Company, a Minnesota limited liability company (“CBC,” “we” or the “Company”), we are pleased that you have expressed an interest in purchasing Series A Units (the “Series A Units”) in the Company. In order to streamline the subscription process, the Company has created a “Funding Portal” located at [sppx.io](http://sppx.io) to coordinate the Company’s acceptance of investor subscriptions and issuance of the Series A Units to purchasers. In order to proceed with your purchase of the Series A Units, please visit and refer to the instructions found on the Funding Portal.

## IMPORTANT NOTICES TO PROSPECTIVE INVESTORS

We have prepared this Investor Package for distribution to prospective investors for their use and information in evaluating an investment in the Series A Units. You are urged and invited to ask questions of and obtain additional information from us concerning the terms and conditions of this offering (the "Offering"), the Company, our business, and any other relevant matters (including, but not limited to, additional information to verify the accuracy of the information set forth herein). Such information will be provided to the extent that the CEO possesses such information or can acquire it without unreasonable effort or expense. You will be asked to acknowledge in the Subscription Agreement attached hereto as Exhibit E that you were given the opportunity to obtain such additional information and that you either did so or elected to waive such opportunity.

Prospective investors having questions or desiring additional information should contact Matthew Rosati, at mrosati@chanhassenbrewing.com or 952-239-6419.

You should not construe the contents of this Investor Package as legal, tax, or investment advice, and you should consult your own attorney, accountant, and business advisor as to legal, tax, and related matters concerning an investment in the Series A Units.

**THIS INVESTOR PACKAGE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SERIES A UNITS. THIS INVESTOR PACKAGE DOES NOT CONSTITUTE AN OFFER TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. ALL INFORMATION CONTAINED HEREIN IS AS OF THE DATE OF THIS INVESTOR PACKAGE, AND NEITHER THE DELIVERY OF THIS INVESTOR PACKAGE NOR ANY SALES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, IMPLY THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS SINCE SUCH DATE.**

**THE SERIES A UNITS ARE HIGHLY SPECULATIVE, ILLIQUID, INVOLVE A HIGH DEGREE OF RISK AND SHOULD BE PURCHASED ONLY IF YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT. SEE THE "RISK FACTORS" ATTACHED HERETO AS EXHIBIT C.**

**IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY SUBSECTION (e) OF SEC RULE 147A (CODE OF FEDERAL REGULATIONS, TITLE 17, PART 230.147A (e)) AS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**SALES WILL BE MADE ONLY TO RESIDENTS OF MINNESOTA. OFFERS AND SALES OF THESE SECURITIES ARE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THE SECURITIES, ANY RESALE OF THE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN Minnesota. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.**

Should the Company issue a certificate or other document evidencing the security, the following legend must be displayed conspicuously:

**OFFERS AND SALES OF THESE SECURITIES WERE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THESE SECURITIES, ANY RESALE OF THESE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.**

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**A PURCHASER IS PERMITTED TO CANCEL THE PURCHASER'S COMMITMENT TO INVEST AT ANY TIME BEFORE FORTY-EIGHT HOURS BEFORE EXPIRATION OF THE OFFERING DEADLINE IF NOTICE OF CANCELLATION IS DELIVERED ELECTRONICALLY OR PHYSICALLY IN WRITING TO THE COMPANY. IF A PURCHASER IS GIVEN NOTICE OF AN EARLY CLOSING, THE PURCHASER MAY CANCEL THE COMMITMENT WITHIN SEVENTY-TWO HOURS OF DELIVERY OF THE NOTICE.**

**IF WE CLOSE THE OFFERING BEFORE THE OFFERING DEADLINE, WE MUST DELIVER A NOTICE OF THE CLOSING TO EACH PURCHASER AND POTENTIAL PURCHASERS BY POSTING THE NOTICE CONSPICUOUSLY ON OUR WEBSITE, AT LEAST FIVE DAYS BEFORE THE EARLY CLOSING. IF YOU WISH TO CANCEL YOUR SUBSCRIPTION PURSUANT TO EARLY CLOSING, YOU MUST DO SO WITHIN 72 HOURS OF DELIVERY OF NOTICE.**

**IF WE FAIL TO RAISE THE MINIMUM OFFERING AMOUNT BEFORE THE OFFERING DEADLINE, THIS OFFERING WILL BE VOID AND THE ESCROW AGENT MUST RETURN ALL FUNDS HELD IN ESCROW TO THE PURCHASERS.**

## INDEX OF EXHIBITS

- Exhibit A of this package includes a copy of the Company's Investor Overview, which includes projected financial statements (the "**Investor Overview**").
- Exhibit B of this package contains a summary of the terms of this Offering (the "**Summary of Terms**").
- Exhibit C of this package describes key risk factors that may be relevant to an investment in the Series A Units (the "**Risk Factors**"). Please read them carefully.
- Exhibit D of this package includes a copy of the Company's Articles of Organization ("**Articles of Organization**") and Bylaws ("**Bylaws**").
- Exhibit E of this package contains the subscription agreement to be completed by investors in order to purchase Series A Units (the "**Subscription Agreement**").
- Exhibit F of this package contains certain financial statements of the Company (the "**Financial Statements**").
- Exhibit G of this package contains the escrow agreement with Sunrise Banks (the "**Escrow Agreement**").
- Exhibit H of this package contains the agreement with Silicon Prairie Portal & Exchange, LLC to provide MNvest portal services to the Company for this Offering (the "**Portal Operator Agreement**").
- Exhibit I of this package contains an example Company advertisement (the "**Advertisement**").
- Exhibit J of this package contains the Notice Filing Form (the "**Notice Filing Form**").
- Exhibit K of this package contains the Cyberpolicy (the "**Cyberpolicy**").

**EXHIBIT A**  
**Investor Overview**  
(See attached)



# **Chanhassen Brewing Company**

Business Plan

Matthew Rosati, Founder

Laura Rosati, Founder

# Confidentiality Agreement

THE UNDERSIGNED READER ACKNOWLEDGES THAT ANY INFORMATION PROVIDED BY **CHANHASSEN BREWING COMPANY** IN THIS BUSINESS PLAN, OTHER THAN INFORMATION THAT IS IN THE PUBLIC DOMAIN, IS CONFIDENTIAL IN NATURE, AND THAT ANY DISCLOSURE OR USE OF SAME BY THE READER MAY CAUSE SERIOUS HARM OR DAMAGE TO **CHANHASSEN BREWING COMPANY**. THEREFORE, THE UNDERSIGNED AGREES NOT TO DISCLOSE IT WITHOUT EXPRESS WRITTEN PERMISSION FORM **CHANHASSEN BREWING COMPANY**.

UPON REQUEST, THE UNDERSIGNED READER WILL IMMEDIATELY RETURN THIS DOCUMENT TO **CHANHASSEN BREWING COMPANY**.

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# **Executive Summary**

Chanhassen Brewing Company is in the business of producing and selling distinctive, superb craft beer to the Twin Cities region and Minnesota marketplace. The Company intends to produce a wide variety of beer each year in its production facility, including seven year-round beers with seasonal and special release beers throughout the year.

The Chanhassen Brewing Company Taproom will feature on-premise beer sales by the pint, with growlers and crowlers, sold for off-premise consumption. Other services include off-site foods and Chanhassen Brewing Company merchandise.

As the brand grows and becomes more established, Chanhassen Brewing Company will look to distribute to a greater number of locations throughout the Twin Cities and wider state market area.

Initial production volume will be based on the allowances of a 10-barrel brewing plant (1 barrel/bbl =31 gallons or 2 kegs). The production capacity of a 20-barrel system with the proper number of fermentation tanks is approximately 2,500 barrels per year (brewing 5 days a week). Chanhassen Brewing Company plans to enter the market at a production rate of approximately 350 barrels per year with goals to increase to 2,500 barrels per year by the end of 2025.

## **The Founder**

Matthew Rosati and Laura Rosati are the founder and Executive Officer of Chanhassen Brewing Company.

Matthew spent 10 years as Operations Manager for a 110,000 square foot warehouse. During his time as an operations manager he honed valuable skills and knowledge surrounding hiring and managing employees, filing detailed employee paperwork, adhering to OSHA safety requirements, training proper use of heavy equipment, standardizing daily operations, and accurately checking and keeping inventory. Matthew has over two years of experience with home brewing and wine making.

Laura Rosati has lived in Chanhassen for almost 6 years with her husband, Matthew Rosati, and their three children. She graduated with her Masters in Counseling and Student Personnel from the University of MN, and has been a middle school counselor for 14 years with the Minnetonka School District. Working in the Minnetonka district has afforded Laura the opportunity to enhance her leadership skills and improve her relationships with families and the community. Laura also has 12 years of experience as a bartender and server in a restaurant and local bar setting.

## **Beer**

Chanhassen Brewing Company plans to open with seven different beers on tap available year-round, and in time, seasonal and special release beers would be served on tap as well. Beer will be sold in the form of pints (and smaller sample pours), flights, crowlers, and growlers.

Chanhassen Brewing Company wants to have seven well rounded beers that everyone can enjoy year round. Out of the seven beers, we will represent the favorite styles of the standard American Craft Brewery: Pale Ale, Two India Pale Ale (“IPA”), Porter, Stout, Belgian, and a Wheat Ale.

Chanhassen Brewing Company plans on offering the following seven styles as all year round beers:

### **American IPA**

A decidedly hoppy and bitter, moderately strong American Pale Ale.

- 7% ABV
- 64 IBU
- Malts: American Two-Row, Munich
- Hops: Horizon, Centennial, Simcoe, Amarillo

### **Imperial IPA**

An intensely hoppy, very strong pale ale without the big maltiness and deeper malt flavors of an American barley wine.

- 8.9% ABV
- 100+ IBU
- Malts: American Two-Row, Wheat Malt
- Hops: Warrior, Chinook, Centennial, Simcoe, Amarillo, Columbus

### **American Pilsner**

A clean, moderately hoppy lager, often with a substantial corn-like character.

- 6% ABV
- 35 IBU
- Malts: American Two-Row, Flaked Corn
- Hops: Czech Saaz

### **Belgian Pale Ale**

A moderately malty, fruity, somewhat spicy, easy-drinking, copper-colored ale.

- 5.3% ABV
- 26 IBU
- Malts: Pilsner Malt

- Hops: Kent Goldings

### **Porter**

A substantial, malty dark ale with a complex and flavorful roasty character.

- 6.5% ABV
- 37 IBU
- Malts: Crystal, Chocolate, Black Patent
- Hops: Kent Goldings, Fuggles

### **American Wheat**

A moderately dark, spicy, fruity, malty, refreshing wheat-based ale.

- 5.6% ABV
- 16 IBU
- Malts: Pilsner, Wheat, Munich
- Hops: Hallertau

### **Farmhouse Ale**

Rustic and refined, balancing expressive yeast character and moderate hopping with a dry, quenching finish.

- 5.9% ABV
- 35 IBU
- Malts: Michigan Pale Ale
- Hops: HBC 438, Citra, Galaxy

**ABV**= Alcohol by volume, **IBU**= International Bitterness Units scale

Chanhassen Brewing Company plans on offering a variety of limited unique beers throughout the year which may include Sour Ale, Lagers, Wood-Aged Beers, Barleywine and seasonal beers.

### **Merchandise**

Chanhassen Brewing Company plans to offer a variety of branded merchandise that features the logo and/or name of the brewery. Merchandise will be ideally sourced in bulk from third party suppliers and sold with a margin rate specific to each type of item. The best-selling products are expected to be souvenir Growlers, T-shirts/Clothing, Glassware, and Beer Accessories. Merchandise sales are expected to be offered in the Taproom as well as the online store at [ChanhassenBrewing.com](http://ChanhassenBrewing.com).

## **The Location**

Chanhassen Brewing Company has a fully executed, non-binding Letter of Intent to purchase property at 195 West 79<sup>th</sup> Street, Chanhassen, MN 55317. The property 1.29 acreages with easy access to Highway 5 and Highway 101, and is located in close proximity to restaurants, boutique shops, and Chanhassen bike trails. Additionally, the location offers what we believe to be ample parking and adequate options for usable outdoor/patio space as well as opportunity for outdoor signage to increase visibility. The building itself will be designed in a way that is conducive to a separate taproom area and production floor. The building is expected to have enough ceiling clearance to house the necessary brewing equipment.

The location is situated in a demographic area with strong economic indicators. There is an estimated population of 24,000 people within a 5-mile radius. The estimated household income of this 5-mile radius is \$120,000 in 2016. Additionally, a 130-unit apartment complex above Aldi with a 2019 planned completion date will be located just down the road from the brewery. Finally, 83 acreages of developed retail and residential land off of Powers Blvd. and Lyman Blvd will be an asset to our location.

## **The Taproom**

The Chanhassen Brewing Company taproom will be designed to be an attractive and inviting space. Design elements are expected to include reclaimed barnwood, corrugated steel, stonework, and unique pictures of pioneer Chanhassen that will serve as conversation pieces.

The taproom will be Chanhassen Brewing Company's opportunity to build personal relationships with its customer base through friendly and personal service in an environment that feels like home for families and businesses.

We envision 75-125 seats with space for social games like Jenga, shuffleboard, "bags", board games, and potentially more. Chanhassen Brewing Company will host tours, community gatherings, and small festivals in the Taproom. These events will hopefully help build the brand and provide customers with the opportunity to learn more about Chanhassen Brewing Company's vision and production process.

Special events may be offered to drive more traffic to the brewery. Strong options include, Bingo Night, Trivia Night, and other unique family friendly events.

# **Business Overview**

The Chanhassen Brewing Company consist of a Brewery (production facility) and Taproom. The taproom is a location adjacent to a brewery where the owner sells craft beer produced by the brewery for consumption on the premises or for off-site consumption.

## **Mission Statement**

To create a brewery and adjoining taproom that produces, sells, and serves high-quality craft beer in a spacious, warm, and inviting atmosphere that appeals to all beer lovers and celebrates local history.

## **Financing Requirements**

Licensing  
City - Chanhassen

Chanhassen city code requires Chanhassen Brewing Company to apply for an on-sale brewer taproom license and a small brewer off-sale license. The state of Minnesota established the fees.

Chanhassen city code applies to a brewery operated in conjunction with a taproom, producing less than 3,500 barrels of malt liquor per year.

On-sale brewer taproom license is issued for a on-sale malt liquor produced by the brewer for the consumption on the premises of or adjacent to one brewery location owned by the brewery. The license fee for an on-sale brewer taproom is \$400.00.

Small brewer off-sale license is issued to a brew pub or brewery licensed for off-sale or malt liquor at its licensed premises that has been produced and packaged by the brewer. The license fee for small brewer off-sale license is \$200.00.

State – Minnesota

The state of Minnesota requires that a brewer who manufactures 2,000 to 3,000 barrels of malt liquor in a year will pay of fee of \$500.00.

The state of Minnesota requires that all malt liquor brands be registered with the state. There is an annual license fee of \$150.00 and a \$40.00 fee for each new brand label.

Federal- permits required

Every brewer shall, before commencing or continuing business, file with the officer designated for that purpose by the Secretary a notice in writing, in such form and containing such information as the Secretary shall by regulations prescribe as necessary to protect and insure collection of the revenue.

Applications and licenses are required for the brewery, labeling and renewing costs.

# **Business Description**

## **Management Team and Key Personnel**

Generally, the Company expects to hire full-time and part-time staff and does not intend to have “organized labor.”

Present Employees: The Company’s sole employees are its officers:

Matthew Rosati: Founder

Laura Rosati: Founder

## **Future Employees**

Taproom Manager: The primary duties of the Taproom Manager will be managing Taproom operations and staff, opening, closing, bartending, merchandise sales, leading tours, taproom cleanup, dish washing. Some assisting with the brewing process such as cleaning or kegging may be required. This will be a full-time position and will report to the Founder. The Company expects to offer this paid time off (“PTO”) of approximately fifteen days per year with starting pay at approximately \$45,000 (depending on skills and experience).

Head Brewer: The primary duties of the Head Brewer will be: Performing day-to-day brewery operations such as milling, brewing, cellaring, kegging, bottling, quality control, yeast management, and cleaning. The Head Brewer will also manage the production schedule/keep records as well as supervise assistant-level brewery operations staff. Other duties will include taproom serving/retail sales, leading tours, and assisting with deliveries. This will be a full-time position and will report to the Founder. The Company expects to offer this employee paid time off (“PTO”) of approximately fifteen days per year with a starting salary will be approximately \$50,000 per year (depending on skills and experience).

Taproom Servers: The primary duties of the Taproom Server will be reporting to the Taproom Manager, supporting Taproom operations, bartending, merchandise sales, leading tours, taproom cleanup, and dish washing. Some assistance with the brewing process such as cleaning or kegging may be required. This will be a part-time position and will report directly to the Taproom Manager (indirectly to the Founder). Starting salary will be approximately \$15,000 per year (based on an hourly wage). Tips are not included in this calculation.

## **Distribution**

Chanhassen Brewing Company would like to establish a relationship with a distributor for future distribution. The distribution would provide keg to vendors, stores and restaurants in the surrounding areas.

## **Suppliers**

With the realization that a quality product must be founded upon quality ingredients, Chanhassen Brewing Company hopes to work with the following suppliers in order to procure the freshest and highest-quality ingredients:

### **Barley and other Grains**

Cargill Malt could supply our malted barley and other grains. Cargill offers the special opportunity of working with a team that is based in the Twin Cities and has access to nearly all of Chanhassen Brewing Company's malt needs (including international products).

### **Hops**

The Founder is currently working to establish contracts with several hop providers including YCH/Hopunion, Hops Direct LLC, and Sugar Creek Hops LLC to procure a contract for hops supply. This mélange of suppliers would likely have access to specialty hops used in the IPA and European hops necessary for Belgian offerings.

### **Yeast**

The Founder is currently working with Wyeast Laboratories, Inc. and White Labs to procure a contract for yeast supply.

# **Market Research**

## **Regional Demographics**

The Twin Cities Metropolitan Statistical area is comprised of six counties: Carver, Dakota, Hennepin, Scott, Wright, and Ramsey. The total population of these counties was 2,600,349 in 2017 according to U.S. Census data. Although Chanhassen Brewing Company fully expects patronage from residents of all of these counties, the vast majority of customers are estimated to reside in Carver County, Hennepin County, and Scott County.



## Target Customers

Our marketing strategy will be primarily based on making a consistent product for our target customer. We will ensure that our products' prices take into consideration customers' budgets so that it is competitive with the surrounding market and is affordable to our customers.

Our strategy calls for the development of relationships with suppliers, distributors, and retailers to support our business. Regular visits will be undertaken to these areas to ensure that we are meeting their expectations.

# Competitive Analysis

**Unmapped Brewing:** Unmapped Brewing is located at 14625 Excelsior Blvd in Minnetonka, MN. The brewery was founded by avid outdoor enthusiasts with a passion for quality craft beer and an unshakeable entrepreneurial streak. Unmapped Brewing team is proud to offer their year-round lineup of flagship “Belgian & Stateside Ales” along with a diverse supporting cast of special and limited release beers of all styles in the taproom. Unmapped Brewing Company produces 1,000 bbl per year in 2018. Unmapped Brewing would be a strong competitor of Chanhassen Brewing Company due to its strong taproom sales model.

**Excelsior Brewing:** Excelsior Brewing is located at 421 3rd Street in Excelsior, MN. The brewery is housed in a newly-renovated former auto garage in downtown Excelsior. It is easily accessed by the heavy foot traffic that is characteristic of Excelsior (especially in summer). The taproom is open Tuesday through Sunday. Excelsior often is involved in or hosts events in the immediate Excelsior area. The taproom is very popular and sees a large number of people each day that it is open. Excelsior has expanded rapidly and has recently expanded distribution to include bottles. The brewery enjoys a fierce brand loyalty for those who live nearby. Excelsior Brewing produced 6,000 bbl per year in 2018. Overall, Excelsior would be a strong competitor of Chanhassen Brewing Company due to its strong taproom sales model.

**Steel Toe Brewing:** Steel Toe Brewing is located at 4848 West 35th Street in Saint Louis Park, MN. The brewery is housed in an industrial complex near the intersection of Highway 7 and Highway 100. It is very close to the popular regional trail and the thriving Uptown district. The taproom is open Monday-Sunday. Steel Toe originally began as a distribution brewery, but opened a taproom within two years of operation. Steel Toe has a reputation for brewing very high quality beer, and the beer was available in over 40 restaurants in only its 3rd year. The brewery has seen substantial growth since 2011. The brewery itself is located at the far eastern end of the local market area and draws heavily from the communities of Saint Louis Park and Uptown. Steel Toe produced roughly 3500 bbl in 2018. Overall, Steel Toe would be a strong competitor of Chanhassen Brewing Company due to its strong preexisting support in the Western Twin Cities.

**Enki Brewing:** Enki Brewing is located at 1495 Stieger Lake Lane in Victoria, MN. The brewery is housed in warehouse space down the road from its original location. It is adjacent to the Lake Minnetonka Regional Trail. The taproom is open Tuesday- Sunday. Enki Brewing is a small brewery, but it has been growing steadily since its opening in late 2012. The brewery has a loyal following from residents of the Victoria and Shorewood communities. Enki produced 1600 bbl in 2018. Overall, Enki should be considered a competitor of Chanhassen Brewing Company due to its established loyal following from residents of the immediate community.

**Shakopee Brewhall:** Shakopee Brewhall is located at 124 1<sup>st</sup> Ave East in Shakopee MN. The brewery is housed in an older 1860/70 building that is located in an area nicknamed “Little Chicago.” Shakopee Brewhall is a smaller brewery that has a variety of beers on tap. Shakopee Brewhall is a competitor because of its location near a park, river, and the downtown setting.

## Marketing Plan

### Social Media-

Utilizing social will be a key factor in promoting Chanhassen Brewing Company. Through Facebook, Twitter, Instagram, and a website, the brewery will post events, news and updates, and have contests to encourage more likes and shares to create an online buzz.

### Release Parties-

Initial promotional plans will evolve around the focus of the operation and Chanhassen Brewing Co. beer. Chanhassen Brewing Co. will feature special release parties for new and seasonal beers.

### Incentives to return-

Retaining the curiosity seekers as regular customers depends on serving a quality product in an enjoyable atmosphere. This is a crucial time in our development, and every effort will be made to make sure that each customer leaves ready to tell his/her friends about the quality experience they had at Chanhassen Brewing Co. Incentives may be offered to encourage repeat business through discounts and special offers.

## Growth/Marketing Plan

Chanhassen Brewing Company plans to meet growth goals by executing to the greatest and commercially reasonable extent possible, a detailed and effective Growth Plan. This plan will be partitioned into two phases. Phase 1 will primarily focus on establishing interest in the brewery and the Chanhassen Brewing Company brand pre-launch. Phase 2 will begin on Opening Weekend and will utilize techniques to solidify local market brand loyalty as well as drive expansion into the Twin Cities craft beer market as a whole.

**Phase 1-** Chanhassen Brewing Company may develop a wide variety of recipes that are intended to entice both “new” craft beer drinkers and craft beer “veterans”

- Recipes that are intended to entice “new” craft beer drinkers: Witbier, Saison, and Pale Ale.
- Recipes that are intended to entice “veteran” craft beer drinkers: Tripel, Quadrupel, IPA, and Barleywine.
- Chanhassen Brewing Company may attempt to promote the brand through printed/online media interviews, articles, and advertising (potentially paid advertising).
- A strong emphasis may be placed on sit-down interviews with local print media and bloggers who attract a “craft beer” following to their publications.
- Paid media advertisements may be needed to generate awareness outside of the craft beer demographic.
- Chanhassen Brewing Company may attempt to promote the brand through merchandise sales and free giveaways of logoed items. Online merchandise sales may be offered prior to launch if at all possible.
- Chanhassen Brewing Company may participate in local events/festivals (even without a beer product readily available) would be a great opportunity to hand out small logoed items such as magnets, “save the date” cards, bottle openers, and more.
- Chanhassen Brewing Company may create a “Kickstarter” fundraising (non-equity) campaign that might offer various merchandise for certain levels of giving.
- Chanhassen Brewing Company may attempt to promote the brand through strong online presence and social media marketing. Chanhassen Brewing is developing a website that suits the business needs of the company.
- Chanhassen Brewing may create original content and targeted posts through Twitter, Instagram, and Facebook.
- Social media is currently being implemented to help interested parties stay informed and encourage said parties to tell others about the progress.
- “Beer club” memberships offering a set amount of beer in exchange for an upfront “membership fee” may be considered.
- Chanhassen Brewing plans to place strong emphasis on taproom design to generate potential customer interest and retain existing customers.
- Chanhassen Brewing is working with Magney Architecture and Designer Darin Duch to design the building, taproom, and production spaces.
- Chanhassen Brewing may focus on a strong, targeted sales campaign involving local restaurants to establish keg and bottle distribution contracts.
- “Door-To-Door” sales strategies may be implemented.
- The Founder expects to participate in all initial sales meetings.

**Phase 2-** Chanhassen Brewing Company plans to develop a wide variety of “Seasonal” and “Special Release” Recipes that may encourage existing customers to return and try new products.

- Chanhassen Brewing may attempt to promote the brand through community involvement such as vending at local festivals and events, sponsoring local festivals and events, and hosting local festivals and events on site.
- Chanhassen Brewing may attempt to promote the brand through printed/online media interviews, articles, and advertising (potentially paid advertising).
- Chanhassen Brewing may attempt to promote the brand through merchandise sales and free giveaways of logoed items.
- Chanhassen Brewing may attempt to promote the brand through strong online presence and social media marketing.
- Chanhassen Brewing plans to maintain cleanliness and usability of the taproom at all times.
- Chanhassen Brewing plans to establish a high level of friendly customer service in the local market. This applies to both Taproom and Distribution customer relations.
- Chanhassen Brewing may introduce special weeknight events such as Bingo and Trivia to establish weeknight “regulars.”
- Chanhassen Brewing may introduce “Growler Sundays” to encourage growler sales. Growlers may be offered at a discounted price.
- Chanhassen Brewing may utilize taproom space for food trucks, musician performances, and more to increase traffic variety, and interest.
- Chanhassen Brewing plans to place strong emphasis on existing relations with restaurant/retail contracts as well as continue to use a personal sales approach to increase number of these restaurant/retail contracts.

## The Production Floor

The production floor is where the beer will be produced. This space will be separated from the taproom. The area will contain room for the following:

15 bbl Brewing Plant (6) 30 bbl Unitanks

A “cold room” with enough space for 200 kegs

A mill room for milling malt and space for malt storage

A flex auger system for handling grain

Floor space for 200 kegs

A craftcan15 canning system or reamer

A Clean-In-Place system Keg-filler

A Keg-washer

A loading dock for shipping and receiving

Other equipment that must be housed on the premises includes:

Steam Boiler

Glycol Chiller

## The Production Process

Chanhassen Brewing Company plans to produce at least seven different beers per year, all of which may be produced in a similar manner. The following is a general outline for the brewing process:

- The process begins with milling. Chanhassen Brewing Company will mill the malt onsite with a roller mill to create grist.
- The grist will then be transported to the mash tun where it will be mixed with hot water. This essentially creates the “mash.”
- The temperature of the mash will be raised to various “resting temperatures” for predetermined amounts of time before “mashing out” at 168 degrees Fahrenheit. Once mashed out, the liquid now is referred to as “wort.”
- The wort is transferred to the brew kettle where it is brought to a rolling boil for a predetermined amount of time. During the boil, hops and other ingredients will be added at specific times as prescribed by the recipes.
- After the boil is complete, the wort will be transferred through a heat exchanger. This process will cool the wort from 212 degrees Fahrenheit to a predetermined temperature that is optimal for whatever strain of yeast will be used for that particular recipe (most likely around 70 degrees Fahrenheit).
- The wort will then be transferred to a fermenting tank. Here, the yeast will be pitched. The beer will be allowed to ferment until it reaches its final gravity and/or is aged the proper amount of time.
- After the fermentation, the beer will be transferred to a brite tank. Here, the beer will be further aged, clarified, and carbonated.
- Once the beer is properly aged, carbonated, and clarified, the beer will be filtered and racked into kegs and crows where it will be ready for distribution or sale in the taproom.

# Location and Premises

## Days and Hours of Operation

The taproom will be open Tuesday through Sunday during the first two years of operation with special events added to Mondays. Hours of operation will be 4:00 PM to 10:00 PM on Tuesday, Wednesday, and Thursday, 4:00 PM to 12:00am on Friday, 12:00 PM to 12:00 AM on Saturday, and 12:00 pm to 10:00 on Sunday. Monday special events will not serve after 10:00 PM.

Monday	Closed- Special Events
Tuesday	4:00 PM- 10:00 PM
Wednesday	4:00 PM- 10:00 PM
Thursday	4:00 PM- 10:00 PM
Friday	4:00 PM- 12:00 AM
Saturday	12:00 PM- 12:00 AM
Sunday	12:00 PM- 10:00 PM

# Taproom Growth Projections

Taproom growth will be monitored through two measures: Drink sales, Growler Sales, and Crowlers sales. The Taproom Growth projections for Chanhassen Brewing were created based on actual growth seen by Twin Cities breweries of a similar size as well as expectations of a successful execution of the Growth/Marketing plan.

Figure 1 below shows that Chanhassen Brewing Company plans to sell 1,600 drinks per week at opening on August 1, 2020. This weekly number is projected to increase to 1,800 on 8/1/2021; 2,000 on 8/1/2022, 2,200 on 8/1/2023; and 2,400 on 8/1/2024.

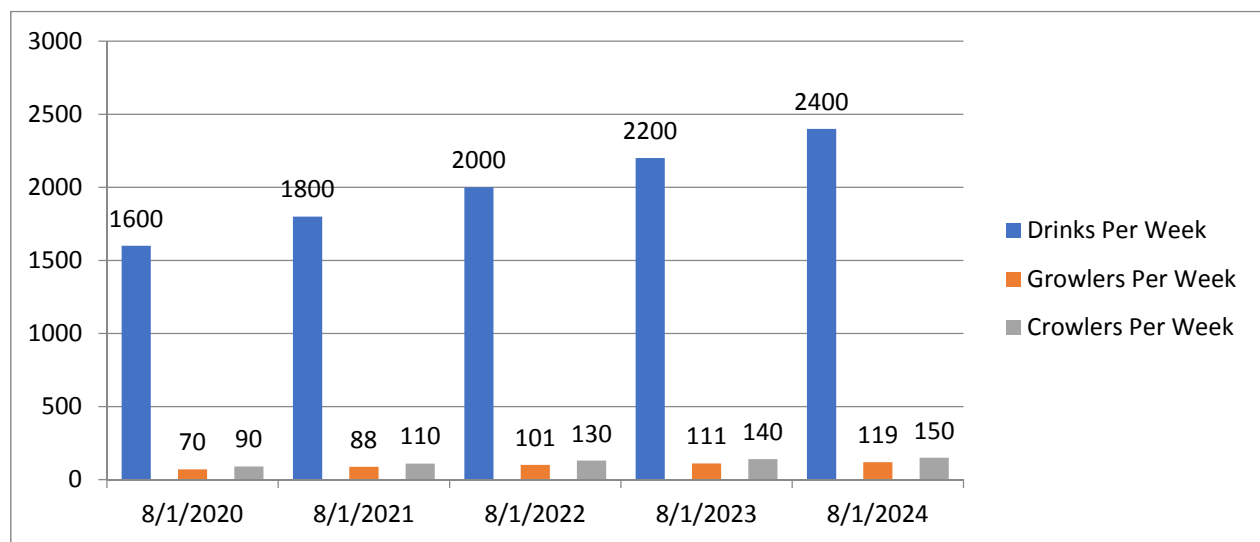


Figure 1

# Projected Pricing

Each Chanhassen Brewing beer will be priced based on a tiered structure. These tiers are determined by ABV (alcohol by volume) ranges:

Tier 1 = 0.00%-6.9% ABV

Tier 2 = 7.0%+ ABV

The tiered taproom drink pricing structure is as follows:

Tier 1 = \$6 for a 16-ounce glass

Tier 2 = \$7 for a 16-ounce glass

The tiered taproom crowler pricing structure is as follows:

Tier 1 = \$9 for a 32-ounce can

Tier 2 = \$10 for a 32-ounce can

The tiered taproom growler pricing structure is as follows:

Tier 1 = \$13 for a growler refill or \$18 without a growler deposit

Tier 2 = \$15 for a growler refill or \$20 without a growler deposit

# Sale Projections

Figure 2 below shows the sales projections per year for Chanhassen Brewing Company. These projections are broken down into categories for Taproom Sales, Crowler Sales, Growler Sales, and Merchandise Sales.

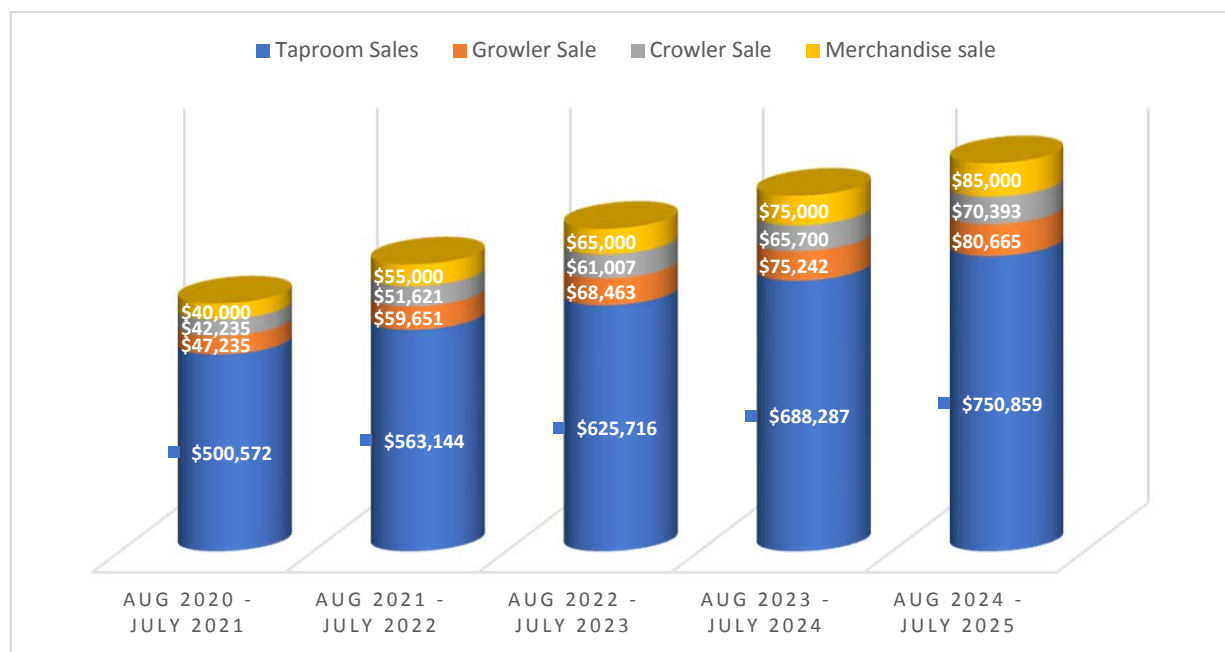


Figure 2

# **Cost Projections**

## **Maximum Building/Facility Costs**

Construction cost estimates can vary wildly depending on many different factors such as the size of the space, the layout of the space, and additional construction costs. Chanhassen Brewing anticipates a construction and design cost to be approximately \$2,000,000. This figure will be modified/adjusted once a space has been designed and construction bids arrive.

## **Maximum Brewing Equipment Costs**

Chanhassen Brewing Company estimates the brewing equipment and installation to cost approximately \$400,218.00.

## **Maximum Other Startup Costs**

These costs would pertain to those that are not considered to be part of construction or equipment. These would include:

- a. Licenses and Fees
- b. Attorney Fees
- c. Advisor Fees
- d. Glassware
- e. Merchandise
- f. Operations costs
- g. Seven months of operation expenses

These costs are expected to be approximately \$383,115.00.

## **Total Maximum Startup Costs**

By combining the three totals above, Chanhassen Brewing Company estimates that the total startup cost will be approximately \$2,783,333.00.

## **Minimum Building/Facility Costs**

If cost-cutting measures are implemented such as constructing a smaller building space or using lesser quality materials, Chanhassen Brewing Company anticipates construction and design costs to be a minimum of \$1,500,000.00.

## **Minimum Brewing Equipment Costs**

Chanhassen Brewing estimates the brewing equipment and installation to cost at minimum \$260,000.00.



### Minimum Other Startup Costs

These costs would pertain to those that are not considered to be part of construction or equipment. These would include:

- a. Licenses and Fees
- b. Attorney Fees
- c. Advisor Fees
- d. Glassware
- e. Merchandise
- f. Operations costs
- g. Seven months of operation expenses

These costs are expected to be approximately \$280,115.00.

### Total Minimum Startup Costs

By combining the three totals above, Chanhassen Brewing Company estimates that the total startup cost will be approximately \$2,040,115.00.

### Ongoing Costs

Figure 3a below shows the estimated ongoing cost for the calendar year 2020. The total cost per week will be approximately \$10,657.35. The total cost per month will be approximately \$46,308.83. The total cost per year will be approximately \$555,705.95.

Figure 3b below shows the estimated ongoing cost for the calendar year 2021. The total cost per week will be approximately \$12,255.91. The total cost per month will be approximately \$53,255.00. The total cost per year will be approximately \$639,060.00.

These estimates include any and every expense made by the brewery. Utilities, rent, equipment purchasing and maintenance, taproom maintenance and enhancement, water management, keg, can and bottle materials, office supplies, legal fees, payroll, FICA and Medicare, Loan payment, and insurance are all accounted for in this table.

August 2020 to July 2021 Estimated Cost			
Line Item	Cost per Week	Cost per Month	Cost per Year
Brewing Cost	\$1,799.99	\$7,821.42	\$93,857.00
Building	\$115.07	\$500.00	\$6,000.00
Equipment Purchase	\$115.07	\$500.00	\$6,000.00
Equipment Repair	\$19.18	\$83.33	\$1,000.00
FICA & Medicare	\$292.69	\$1,271.81	\$15,261.75
Glassware	\$115.07	\$500.00	\$6,000.00
Insurance	\$383.56	\$1,666.67	\$20,000.00
Keg/Cans/Growlers	\$242.50	\$1,053.72	\$12,644.68

Legal/Government	\$115.07	\$500.00	\$6,000.00
Loans/Investors	\$958.90	\$4,166.67	\$50,000.00
Marketing	\$115.07	\$500.00	\$6,000.00
Misc	\$115.07	\$500.00	\$6,000.00
Mortgage	\$2,553.41	\$11,095.21	\$133,142.52
Office Supplies	\$19.18	\$83.33	\$1,000.00
Payroll	\$3,260.27	\$14,166.67	\$170,000.00
Taproom Maintenance	\$57.53	\$250.00	\$3,000.00
Utilities Electric	\$69.04	\$300.00	\$3,600.00
Utilities Gas	\$69.04	\$300.00	\$3,600.00
Utilities Internet	\$23.01	\$100.00	\$1,200.00
Utilities Phone	\$23.01	\$100.00	\$1,200.00
Utilities Sewage	\$69.04	\$300.00	\$3,600.00
Utilities Water	\$69.04	\$300.00	\$3,600.00
Water System	\$57.53	\$250.00	\$3,000.00
<b>Total:</b>	<b>\$10,657.35</b>	<b>\$46,308.83</b>	<b>\$555,705.95</b>

Figure 3a

<b>August 2021 to July 2022 Estimated Cost</b>			
<b>Line Item</b>	<b>Cost per Week</b>	<b>Cost per Month</b>	<b>Cost per Year</b>
Brewing Cost	\$2,249.99	\$9,776.77	\$117,321.25
Building	\$115.07	\$500.00	\$6,000.00
Equipment Purchase	\$115.07	\$500.00	\$6,000.00
Equipment Repair	\$19.18	\$83.33	\$1,000.00
FICA & Medicare	\$365.86	\$1,589.77	\$19,077.26
Glassware	\$138.08	\$600.00	\$7,200.00
Insurance	\$479.45	\$2,083.33	\$25,000.00
Keg/Cans/Growlers	\$303.13	\$1,317.15	\$15,805.85
Legal/Government	\$134.25	\$583.33	\$7,000.00
Loans/Investors	\$901.37	\$3,916.67	\$46,999.98
Marketing	\$115.07	\$500.00	\$6,000.00
Misc	\$115.07	\$500.00	\$6,000.00
Mortgage	\$2,553.41	\$11,095.21	\$133,142.52
Office Supplies	\$19.18	\$83.33	\$1,000.00
Payroll	\$4,179.14	\$18,159.43	\$217,913.14
Taproom Maintenance	\$57.53	\$250.00	\$3,000.00
Utilities Electric	\$69.04	\$300.00	\$3,600.00
Utilities Gas	\$76.71	\$333.33	\$4,000.00
Utilities Internet	\$23.01	\$100.00	\$1,200.00
Utilities Phone	\$23.01	\$100.00	\$1,200.00
Utilities Sewage	\$69.04	\$300.00	\$3,600.00

Utilities Water	\$76.71	\$333.33	\$4,000.00
Water System	\$57.53	\$250.00	\$3,000.00
<b>Total:</b>	<b>\$12,255.91</b>	<b>\$53,255.00</b>	<b>\$639,060.00</b>

Figure 3b

# Profit Projection

Figure 4 below shows the projected gross profit. These numbers take into account the information present in the Sales Projection section and Ongoing Costs section.

Total projected gross profit before distribution is \$119,084 from 8/1/2020- 7/31/2021; \$131,057 from 8/1/2021- 7/31/2022; \$148,487 from 8/1/2022- 7/31/2023; \$179,631 from 8/1/2023-7/31/2024; and \$210,767 from 8/1/2024- 7/31/2025.

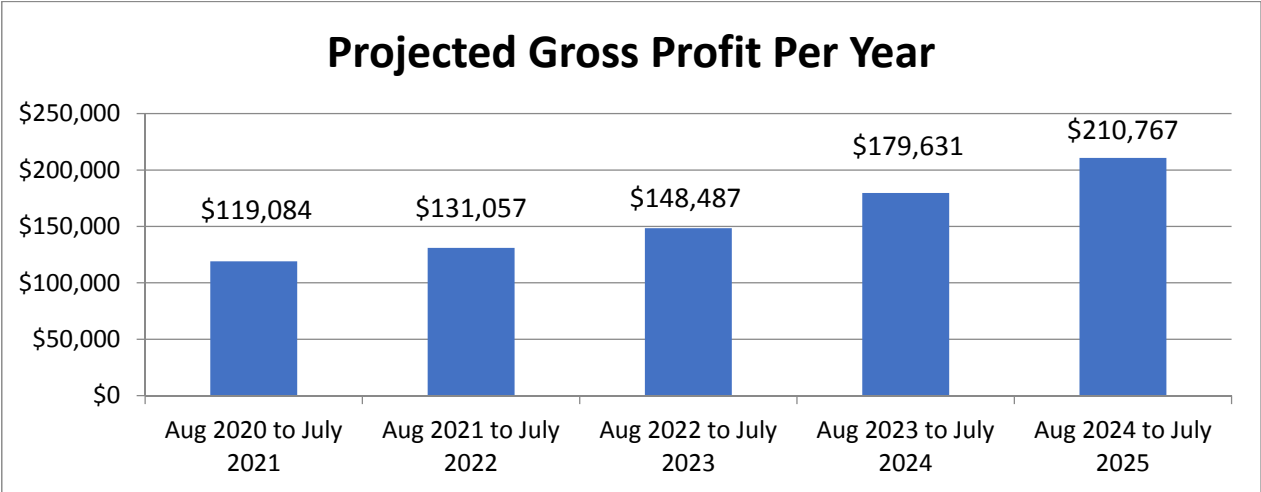


Figure 4

# Brewery Startup Costs

## Maximum Startup Costs

With a maximum need of \$2,833,333.00, the amount of \$2,000,000.00 will be provided through debt financing through a bank. This \$2,000,000.00 will go towards covering the purchase of land and construction of the building.

With a maximum needed of \$2,833,333.00, the amount of \$833,333.00 Will be provided through private equity raised. This \$833,333.00 will cover brewing equipment, installation, fixtures, Licenses and fees, merchandise, operational costs, and operation expenses.

<b>Maximum Startup Cost Sources and Uses</b>	
<b>Source Funds</b>	<b>Estimated Amount</b>
Bank Loans (SBA)	\$2,000,000.00
Equity Raised	\$833,333.00
<b>Total Source of Funds</b>	<b>\$2,783,333.00</b>
<b>Uses of Funds</b>	<b>Estimated Amounts</b>
Brewing Equipment	\$270,218.00
Misc Large Equipment	\$30,000.00
Equipment Installation	\$100,000.00
Land and Construction	\$2,000,000.00
Furniture, Fixtures and Misc Décor	\$50,000.00
Licenses and Fee	\$15,000.00
Attorney Fee	\$20,000.00
Merchandise	\$10,000.00
Operation Costs	\$16,115.00
Seven Months of Operations Expenses	\$322,000.00
<b>Total Uses of Funds</b>	<b>\$2,783,333.00</b>

Figure 5

<b>Maximum Startup Ownership</b>				
<b>Land and Building</b>			<b>Brewery</b>	
Responsible Business	<b>Frontier Land Holding L.L.C</b>		<b>Chanhasen Brewing Company L.L.C</b>	
Ownership	Matthew Rosati (SBA Loan)	100%	Matthew Rosati	32.145%
			Laura Rosati	32.145%
			Total Investors combined	35.71%
	<b>Uses of Funds</b>		<b>Uses of Funds</b>	
	Land		Brewing Equipment	
	Construction		Misc Large Equipment	
	Furniture, Fixtures and Misc Décor		Equipment Installation	
	Licenses and Fee		Furniture, Fixtures and Misc Décor	
	Attorney Fee		Licenses and Fee	
	Surveys		Attorney Fee	
	Architect/Civil Planning		Merchandise	
	SAC/WAC		Operation Costs	
			Seven Months of Operations Expenses	
<b>Total Funds</b>	<b>\$2,000,000.00</b>		<b>\$833,330.00</b>	

Figure 6

### Minimum Startup Costs

With a minimum need of \$2,015,000.00, the amount of \$1,500,000.00 will be provided through debt financing through a bank. This \$1,500,000.00 will go towards covering the purchase of land and construction of the building.

With a minimum needed of \$2,015,000.00, the amount of \$515,000.00 Will be provided through private equity raised. This \$515,000.00 will cover brewing equipment, installation, fixtures, Licenses and fees, merchandise, operational costs, and operation expenses.

Minimum Startup Cost Sources and Uses	
Source Funds	Estimated Amount
Bank Loans (SBA)	\$1,500,000.00
Equity Raised	\$515,000.00
<b>Total Source of Funds</b>	<b>\$2,015,000.00</b>
Uses of Funds	Estimated Amounts
Brewing Equipment	\$190,000.00
Misc Large Equipment	\$20,000.00
Equipment Installation	\$50,000.00
Land and Construction	\$1,500,000.00
Furniture, Fixtures and Misc Décor	\$40,000.00
Licenses and Fee	\$15,000.00
Attorney Fee	\$20,000.00
Merchandise	\$5,000.00
Operation Costs	\$16,000.00
Seven Months of Operations Expenses	\$184,000.00
<b>Total Uses of Funds</b>	<b>\$2,015,000.00</b>

Figure 7

Minimum Startup Ownership			
Land and Building		Brewery	
Responsible Business	Frontier Land Holding L.L.C		Chanhassen Brewing Company L.L.C
Ownership	Matthew Rosati (SBA Loan)	100%	Matthew Rosati 37.22%
			Laura Rosati 37.22%
			Total Investors combined 25.56%

	Uses of Funds	Uses of Funds
	Land	Brewing Equipment
	Construction	Misc Large Equipment
	Furniture, Fixtures and Misc Décor	Equipment Installation
	Licenses and Fee	Furniture, Fixtures and Misc Décor
	Attorney Fee	Licenses and Fee
	Surveys	Attorney Fee
	Architect/Civil Planning	Merchandise
	SAC/WAC	Operation Costs
		Seven Months of Operations Expenses
<b>Total Funds</b>	<b>\$1,500,000.00</b>	<b>\$515,000.00</b>

Figure 8

## Projected Brewery Goals

The following projected milestone dates represent the “best-case” scenario.

- June 2019: Launch official website.
- June 2019: Sign an intent to purchase land from the City of Chanhassen.
- August 2019: Launch Private Equity Offer.
- September 2019: Receive SBA loan.
- September 2019: Receive a completed civil and manufactural architectural design.
- October 2019: Present the building design to the City of Chanhassen for approval.
- October 2019: Receive 100 percent of private offering amount.
- October 2019: Collect bids for construction.
- December 2019 Receive approval from the City of Chanhassen.
- March 2020: Finalize all construction plans.
- April 2020: Start construction on building.
- April 2020: Hire a brewmaster.
- August 2020: Complete building construction.
- August 2020: Complete equipment installation.
- September 1<sup>st</sup>, 2020: Open Chanhassen Brewing Company.

### **The Craft Beer Industry**

American brewing was initially built on the back of the grand European tradition of simple, four-ingredient beers. Early commercial examples of American beer were brewed by German and Czech immigrants, often in Milwaukee, St. Louis, and New York, who were looking to bring the classic ales and lagers from their homelands to their new turf. These beers were apparently flavorful and made with quality grains and hops. While the origins of beer stretch all the way back to Mesopotamia and the brewing goddess Ninkasi, American craft brewing is a relatively new phenomenon. Today's fruit-infused

sour ales and bourbon barrel-aged barleywines are light years ahead of the corn lagers colonists were first brewing when they landed on our shores.

American has always had brewing history that continued to grow until prohibition. By the time prohibition ended, American beer was transformed from brewing with quality grains to brewing with corn and rice. This style of brewing, a “lite” beer in a can, lead to a new “corporate” industry that dominated America.

Luckily, in the last 50 year, the trend of home brewing, microbreweries and craft brewing has started to change the industry. Craft Brewers have succeeded in establishing high levels of quality, consistency and innovation, expanding the minds of the beer consumers and creating the most diverse brewing culture in the world. The number of craft brewers has gone from eight in 1980, to 537 in 1994, to over 6,000 in 2018.

The American craft brewing industry will continue to grow as breweries continue to experiment with new flavors and styles. According to Brewers Association, the State of Minnesota is currently ranked 15<sup>th</sup> with 170 breweries.

**EXHIBIT B**  
**Summary of Terms**  
(See attached)



## SUMMARY OF THE OFFERING

<b>Company</b>	Chanhassen Brewing Company, LLC
<b>Securities Offered</b>	Up to 833,000 Series A Preferred Membership Units (an aggregate of \$833,000)
<b>Offering Price</b>	\$1.00 per Series A Preferred Unit
<b>Minimum Investment</b>	\$5,000 for 5,000 Series A Preferred Units.
<b>Capital Structure</b>	The Company has two Series of units: Series A Preferred Units and Series B Units. The Series A Preferred Units are being offered to all Minnesota investors. The Series A Preferred Units are preferred units in the sense that they will receive priority distributions and preferred returns from the Company, as described below.

The Series B Units have been awarded to the Founder in consideration for past contributions made to the Company. As of the date of this Investor Package, the Founder own 100% of Company.

Following the completion of this Offering, and assuming we receive subscriptions for all 833,000 Series A Preferred Units (which we do not guarantee), the capital structure of the Company will be as follows:

<b>Member</b>	<b>Series A Preferred Units</b>	<b>Series B Units</b>
Series A Preferred Members	833,000	
Matthew & Laura Rosati		1,500,000

### Corporate Governance

The Company will be managed by a Board of Managers, (the “Board”) consisting of three Managers (the “Managers”). The Board will appoint Officers to perform all day-to- day operations of the Company. The Series B members will have the power to appoint two Managers and the Series A members will have the power to appoint one Manager. The Series B members plan to appoint Matthew and Laura Rosati as initial Managers.

All “major decisions” involving the Company will require the approval of a majority of the Board of Managers of the Company. The list of “major decisions” will be set forth in the Company’s Operating Agreement (the “LLC Agreement”), a copy of which will be made available to you. Major decisions include, for

example, (a) relocating or opening a new brewery facility; (b) selling new equity interests; (c) borrowing funds from lenders in excess of \$250,000; (d) selling the Company or substantially all of its assets; (e) increasing any Founder's salary beyond a preapproved range; and (f) amending the LLC Agreement.

## **Series A Preferred Units**

<i>Capital Interest</i>	Each Series A Member will have an initial capital account balance equal to such Series A Member's initial capital contribution.
<i>Preferred Return</i>	Each Series A Member will be entitled to receive a six percent (6.0%) cumulative, annual return on the amount of the Series A Member's unreturned capital contribution. This return will accrue over time, non-compounding, whether or not it is actually paid on an annual basis.
<i>Profits Interest</i>	The Series A Members, as a group, will be entitled to ~70% of all distributions authorized by the Board until their capital contributions have been repaid in full. <sup>1</sup> Each Series A Member's pro rata percentage of these cash distributions will be calculated by dividing such Series A Member's capital contributions by the total capital contributions of all Series A Members. For example, assuming all 833,000 Series A Units are sold, an investor who makes a ~\$11,675 investment in the Company will be entitled to ~1.0% of the aggregate cash distributions until the capital contributions of the Series A Members have been repaid in full.

After the capital contributions of the Series A Members have been repaid in full, each Series A Member will be entitled, for each ~\$11,675 invested, to ~0.5% of all cash distributions authorized by the Board (other than Tax Distributions – see below). This means that if we have sold all Series A Units authorized in connection with this Offering (of which there can be no guaranty), then the Series A Members, as a group, will be entitled to ~35.70%<sup>2</sup> of all cash distributions authorized by the Board.

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<sup>1</sup> While the Board will have discretion to authorize cash distributions by a majority vote, the Operating Agreement will contain triggers based on year end cash balances, which if exceeded will require the Board to make a specified cash distribution while maintaining a specified operating capital balance. The specific trigger threshold and minimum operating capital balance have yet to be determined.

<sup>2</sup> A 35.70% share of authorized distributions for Series A Members assumes that the Company has sold all Series A Units in connection with this Offering, of which there can be no guaranty. If we raise less than \$833,000 in connection with this Offering, then the Series A Members' aggregate share percentage of cash distributions will be calculated reciprocally based on the total amount raised.

*Voting Interest* Except for “major decisions” that require Series A Member approval or matters that require member approval by law, the Series A Preferred Units have no other voting or governance rights whatsoever.

*Investor Perks* See attached table. Certain exclusions apply.

## **Series B Units**

*Capital Interest* The Series B Units will be issued to the Founders in consideration for their efforts. The Series B Units are designed to be pure “profits interests” issued on a tax-free basis to the recipients. As such, the Series B Members will not make any initial capital contributions to the Company.

*Profits Interest* Assuming we have sold all Series A Units authorized in connection with this Offering (of which there can be no guaranty), the Series B Members, together with the Series C Members (described below), as a group, will be entitled to ~thirty percent (30%) share of distributions authorized by the Board until the capital contributions of the Series A Members have been repaid in full.

Assuming we have sold all Series A Units authorized in connection with this Offering (of which there can be no guaranty), after the capital contributions of the Series A Members have been repaid in full, the Series B Members, together with the Series C Members, as a group, will be entitled to ~seventy percent (70%) of all cash distributions authorized by the Board.

*Voting Interest* As noted above, the Series B members have the right to nominate and elect two (2) members to the Company’s Board of Managers. The Series B Founder Units have the same voting and governance rights as the Series A Preferred Units in all other respects.

## **Series C Performance Units**

*Capital Interest* The Series C Performance Units will be issued to certain key employees and service providers as a form of incentive compensation. The Series C Performance Units are designed to be pure “profits interests” that can be issued on a tax-free basis to the recipients. As such, the Series C Members will not make any initial capital contributions to the Company.

*Profits Interest* Assuming we have sold all Series A Units authorized in connection with this Offering (of which there can be no guaranty), the Series C Members, together with the Series B Members, as a group, will be entitled to a thirty percent (30%) share of

distributions authorized by the Board until the capital contributions of the Series A Members have been repaid in full.

Assuming we have sold all Series A Units authorized in connection with this Offering (of which there can be no guaranty), after the capital contributions of the Series A Members have been repaid in full, the Series C Members, together with the Series B members, as a group, will be entitled to seventy percent (70%) of all cash distributions authorized by the Board .

*Voting Interest*

Except for the right to vote on matters that must be submitted to the Members for their approval pursuant to the Minnesota Limited Liability Company Act, Chapter 322C of the Minnesota Statutes (for example, a merger or conversion of the Company), the Series C Performance Units have no voting or governance rights whatsoever (*see* footnote 2 above)

**Use of Proceeds**

The Company intends to use the proceeds from the offering to open a new brewing facility and tap room and for general working capital purposes, all as further described in greater detail in the Business Plan and in the Use of Proceeds Table attached hereto.

**Terms of the Offering**

All funds received from investors will be held in a segregated account at Sunrise Banks, Minnesota until such time as we have received subscriptions for 515,000 Series A Preferred Units or until the earlier expiration or termination of the Offering. Once we have reached this minimum threshold, we may begin using proceeds received from those investors. We may terminate the Offering at any time. If not terminated by the Company on an earlier date, the Offering will terminate on July 26, 2020.

**Other Compensation to Founder**

The Company may use the proceeds of this Offering to pay an annual salary to each of the Founders. Founder Matthew Rosati will be paid an annual salary of \$50,000.00 which will increase by 5% each year.

**Exit Strategy**

The Company intends to pay back investors their initial capital contributions plus their preferred return and thereafter may consider a sale of the Company should the right offer arise, but by no means intends to sell in the near future.

**Real Estate**

For the avoidance of doubt, this Offering does not include any interest in real estate. An affiliate of the Company plans to purchase and own the real estate for which the Brewery will reside.

**Company Agreement**

Prior to the closing of any sale of any Series A Preferred Units for which we have received a signed Subscription Agreement, the Company will provide prospective investors with a copy of the Operating Agreement, which will incorporate the terms described

herein in all material respects. In order to invest in the Company, you will be required to sign the Operating Agreement. If you object to the Operating Agreement for any reason, you may revoke your Subscription Agreement and we will return your subscription amount.

### **Restrictions on Transfer**

We are offering the Series A Preferred Units pursuant to certain exemptions from the registration requirements to the Securities Act and state law, and registration under applicable state securities laws. Therefore, the Series A Preferred Units will not be registered with the SEC and will be deemed “restricted securities” under the Securities Act.

### **Units except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom.**

In addition, any transfer of Series A Preferred Units must comply with the transfer restrictions that are contained in the Operating Agreement.

### **Tax Considerations**

The Company will be treated as a partnership for federal income tax purposes and, thus, each member will be taxed on its share of Company income even though the amount of cash distributed to such member may be less than the resulting tax liability. Company profits and losses will be allocated as set forth in the LLC Agreement. A member may be limited in its ability to deduct our losses if the member has insufficient basis, the member is limited by the passive loss rules or if any expenses are “syndication expenses.” Furthermore, it is possible that a member may be subject to alternative minimum tax on our income.

Distributions may be taxed as capital gains or ordinary income. **Due to the complexity of an investment in Series A Preferred Units, prospective Members are advised to contact their respective tax advisors with regard to tax consequences arising from investing in the Company.**

### **Subscription Process**

If you are interested in purchasing the Series A Preferred Units, you must complete and execute a Subscription Agreement and include a check or money order payable to “Chanhassen Brewing Company, LLC” for the total purchase price of the Series A Preferred Units you wish to purchase.

Use of Proceeds

<b>Maximum Startup Cost Sources and Uses</b>	
Source Funds	Estimated Amount
Equity Raised	\$833,333.00
Uses of Funds	Estimated Amounts
Brewing Equipment	\$270,218.00
<u>Misc</u> Large Equipment	\$30,000.00
Equipment Installation	\$100,000.00
Furniture, Fixtures and <u>Misc</u> Décor	\$50,000.00
Licenses and Fee	\$15,000.00
Attorney Fee	\$20,000.00
Merchandise	\$10,000.00
Operation Costs	\$16,115.00
Seven Months of Operations Expenses	\$322,000.00
<b>Total Uses of Funds</b>	<b>\$833,333.00</b>



<b>Minimum Startup Cost Sources and Uses</b>	
Source Funds	Estimated Amount
Equity Raised	\$515,000.00
Uses of Funds	Estimated Amounts
Brewing Equipment	\$190,000.00
<u>Misc</u> Large Equipment	\$20,000.00
Equipment Installation	\$50,000.00
Furniture, Fixtures and <u>Misc</u> Décor	\$40,000.00
Licenses and Fee	\$15,000.00
Attorney Fee	\$20,000.00
Merchandise	\$5,000.00
Operation Costs	\$16,000.00
Seven Months of Operations Expenses	\$184,000.00
<b>Total Uses of Funds</b>	<b>\$515,000.00</b>

Investment Perks

Perk	\$5,000 to \$7,499	\$7,500 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$250,000
Use of Sugar Maple Room	X	X	X	X	X	X
2 Free Beers	X	X	X	X	X	X
Chanhassen Brewing Company T-Shirt		X	X	X	X	X
Chanhassen Brewing Company Hat			X	X	X	X
2 Pint Glasses with Chanhassen Brewing Logo			X	X	X	X
Chanhassen Brewing Company Sweatshirt			X	X	X	X
Chanhassen Brewing Company Logo				X	X	X
1 Free Growler a month				X	X	X
Name a Beer						X
*Sugar Maple Room can be reserved on a first come first serve basis						
**2 free beers in the taproom every day of operation; 1 membership card per investor whether investing as an individual, couple or as an investor group, cards are non-transferable						
***22 oz Mug can be filled with a purchase of a regular priced beer						
**** 1 free Growler refill a month. Must have a Chanhassen Brewing Company Growler and punch card						
*****Beer name has to be approved by founders and has to be eligible to be registered						

**EXHIBIT C**  
**Risk Factors**  
(See attached)



## RISK FACTORS

*Investing in the Company involves a high degree of risk. You should carefully consider the risks described below and all of the other information set forth in the Investor Package before deciding to invest in our Series A Preferred Units. If any of the events or developments described below occurs, our business, financial condition or results of operations could be negatively affected. In that case, the value of your Series A Preferred Units could decline and you could lose all of your investment.*

### **General Risk Factors**

***Chanhassen Brewing Company has no operating history.*** The Company was formed under the laws of the State of Minnesota on July 7, 2019, and has no operating and financial history upon which you may evaluate our current business and future prospects. A number of uncertainties exist that could have an impact on our future operating results, including general economic conditions, relevant market attitude toward our products, market entry of competitors and numerous other competitive factors. Prospective investors should not use historical, industry or other trends to anticipate our results in future periods. Moreover, there is no assurance that we will achieve our business plans. Our prospects, therefore, must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a new business in the highly competitive craft beer industry.

***Limited infrastructure.*** We do not presently own the equipment needed to brew, bottle, package, or distribute our beers to the extent described in this Investor Package. Nor do we own or lease the space where we will produce our beer to the scale described in this Investor Package. If we are unable to identify and secure the necessary equipment and/or complete any necessary renovations to a yet-to-be-secured brewery location in line with our business plans, it would likely have a material adverse impact on our financial condition, results of operations and cash flows.

***Growth will be challenging.*** If the Company is successful in implementing its business plans, including opening and operating a new brewery facility and tap room, we may experience a period of significant growth that could place a significant strain upon our managerial, financial and operational resources. If we are unable to manage our anticipated growth effectively, our business, results of operations and financial condition may suffer, our management will be less effective and our revenues, product development efforts and results of operations may suffer.

***Our business may not develop as we expect.*** As with any development stage company, there is a risk that our business will not develop as expected. The Company's beers may be subject to competitive pressures and/or may not find market acceptance. Costs may be greater than anticipated and revenues may be lower. Additional financing may be required and it may not be available to us or may be available only on terms that disadvantage the Series A Preferred Members.

***Competitive nature of the craft beer industry.*** The Company faces intense competition in the craft beer industry. There are more than 150 licensed breweries in Minnesota. The Company's beers will compete primarily with beers produced by other local craft brewers and foreign brewers and, to a lesser extent, national domestic brewers. A significant portion of the craft beer market is comprised of consumers seeking new and exciting tastes, flavors and experiences. As the Company's brands mature, it may become more difficult to sell these brands to this portion of the craft beer market. Other craft brewers with whom the Company competes may offer beers that these consumers perceive to be newer, more exciting, and unique, and therefore preferable. These factors could lead to declining sales. Such events would cause future sales, results of operations and cash flows to be adversely affected.

***We may experience fluctuations in revenue.*** Our net revenues and operating results may be subject to significant fluctuation and these fluctuations may impair our business. We believe that our future net revenues and operating results, both annually and quarterly, may be subject to significant fluctuations due to a variety of factors, many of which are beyond our control. These factors may include:

- the success of the Company's efforts and its distributors' efforts to expand the Company's presence in an increasingly crowded marketplace of craft breweries in the Twin Cities and greater Minnesota markets;
- the success of the Company's ability to attract craft beer drinkers to its taproom, where we can charge retail price for our beer;
- legislation that may hinder our ability to sell our beer;
- introduction of new beer styles by our competitors;
- costs of our marketing efforts to build our brand;
- patterns of growth in the consumption of craft beer; and
- general economic conditions.

***Additional Financing.*** Our business plans are dependent upon us obtaining approximately \$1,500,000 of bank financing in connection with this Offering, and to be used to purchase (or otherwise lease) equipment for our brewery facility and tap room. We may increase the amount of anticipated bank financing depending on our financial projections and/or the success of the Offering. While we have received an SBA Commitment Letter from BankVista, there is no guaranty that we will be able to obtain bank financing on acceptable terms, if at all. If we are unable to obtain acceptable financing, it is unlikely that we would be able to move forward with our business plans without scaling back on certain capital investments, which may be done at the discretion of the Officers. Under such circumstances we may need to terminate this Offering at the discretion of the Officers.

***We have identified but not secured a property to house our taproom and brewing operations.*** We have signed a fully executed, non-binding Letter of Intent to purchase The City of Chanhassen land located at 195 West 79<sup>th</sup> Street. However, as of the date of this Offering, we have not secured this property. We cannot guarantee that we will be able to secure this property. Further, we may face opposition from cities, city councils, or city planning commissions regarding zoning and use of the property. You should not purchase Series A Preferred Units unless you are willing to entrust the Founders with respect to property-related decisions.

***The determination of the offering price may not reflect the value of the Company.*** The offering price for the Series A Preferred Units has been determined by the Founders based on a number of factors, including their view of the prospects for the business, construction costs relating to the Company's planned tap room and brewery facility in the Twin Cities, and general working capital requirements. The offering price is not related to our assets, historical earnings, or other commonly established criteria of value. Our Founders will pay no amount for the acquisition of their interests in the Company in this offering. Prospective investors must rely on their own business and investment background and their own investigation of the business and affairs of the Company in determining whether to invest in the Series A Preferred Units. We make no representation as to the value of the Series A Preferred Units, and there can be no assurance that you will be able to sell the Series A Preferred Units at any price.

***There will be no market for the Company's Series A Preferred Units.*** The Company's LLC Agreement contains restrictions on the transfer of Series A Preferred Units. In addition, federal and state securities laws restrict the transferability of the Series A Preferred Units. It may be difficult or impossible for an investor to liquidate his, her or its investment when desired. Therefore, investors will be required to bear the economic risks of their investment for an indefinite period of time.

***We may need additional capital in the future.*** We believe that the gross proceeds of this Offering, together with our other financing sources, will be sufficient to finance the build out of the brewery facility and tap room and to provide working capital to operate the business to the point we anticipate operating revenue being sufficient for the Company to be profitable. Our current assumptions and expectations are reflected in the financial projections included in the Business Plan. If our expectations regarding (a) the Company's revenues and operating expenses and/or (b) the build out costs for our new brewing facility and tap room are other than as projected, we may require additional capital. The timing and amount of any such capital requirements cannot be predicted at this time. There can be no assurance that any such financing will be available, or available on terms acceptable to the Company. If financing is not available on satisfactory terms, we may be unable to develop the Company's business as projected or begin operation.

***We have no established relationships with key vendors and suppliers, whose failure to perform could force us to abandon our business, hinder our ability to operate profitably or decrease the value of the Series A Preferred Units.*** We intend to use multiple vendors and suppliers for the raw ingredients and other materials involved in the production and distribution of our beer. There can be no assurance that these vendors and suppliers will continue to meet our demands, especially if our business grows as projected. Furthermore, there can be no assurance that we will be able to reach terms acceptable to us with each vendor and supplier. If we are unable to access the raw ingredients necessary to produce our beer, we may experience substantial delays in production, which could have a material adverse effect on our projected revenues.

***Distribution of our beers.*** We plan to self-distribute our beers in the Twin Cities and Greater Minnesota markets for at least the first several years of operations until we can sell our distribution rights for a profit and engage a distributor for these territories. The success of our distribution strategy is contingent upon the development of relationships with bars, restaurants, liquor stores, and other retailers. If we are not successful in contracting with a sufficient number of retailers to stock our product, then our revenues and brand development may suffer. Alternatively, our plans to self-distribute may limit our growth if we are unable to regularly deliver sufficient volume to retailers, and we may face challenges with managing a network of retailers that could result in unanticipated costs. If production and demand for our beer outpaces our distribution capacity, we may need to contract with one or more distributors, creating a risk that we will be unable to find the appropriate distribution partner(s) and/or negotiate favorable terms for the distribution and marketing of our products.

When the Company decides to appoint one or more distributors, it will enter into exclusive agreements for their respective territories. The Company will rely heavily on such distributors to market, promote, and sell the Company's products to retail accounts in their territories. These distributors will likely carry several competing product lines from other breweries, and there is no guaranty that these distributors will use the same efforts (financial or otherwise) to market, promote, and sell the Company's products as they will with other competing product lines. It is exceedingly difficult to terminate

distribution agreements, presenting a high price for any problems that may arise in the future between the Company and any of its future distributors.

***The Series B Members will effectively control the Company.*** Immediately after closing this offering, the Series B Members will own 100% of the Company's Series B Units and hold a majority<sup>1</sup> of the voting power of the Company with respect to all matters that are required to be submitted to the members for their approval. The Founders will be permitted to appoint two Managers to the Board, and in doing so will effectively have management responsibility of the Company on a day-to-day basis. The Series A Preferred Units will have limited voting rights. This means, among other things, that despite your investment in the Series A Preferred Units, the Founders will retain significant influence over the management of the Company. You should not purchase Series A Preferred Units unless you are willing to entrust the management of the Company to the Founders.

***The loss of either of the Founders would seriously impair our ability to implement our strategy.*** For the foreseeable future, we will be dependent upon the services of our Founders. The loss of the services of either of the Founders would have a material and adverse effect on our operations and ability to achieve our business plans.

***Regulatory approvals.*** Federal, state and local laws and regulations govern the production and distribution of beer, including permitting, licensing, trade practices, labeling, advertising and marketing, distributor relationships and various other matters. A variety of federal, state and local governmental authorities also levy various taxes, license fees and other similar charges and may require bonds to ensure compliance with applicable laws and regulations. While we have obtained the licenses and permits necessary to support our current operations, we will not be able to begin production or sale of beer at our new brewery facility and tap room until we have obtained the required Federal, state, county (if applicable), and city (if applicable) licenses and permits for our planned activities. There is no guaranty that we will be able to obtain all of the required permits. Certain actions undertaken by the Company may cause the Alcohol and Tobacco Tax and Trade Bureau or any particular state or jurisdiction to revoke its license or permit, restricting the Company's ability to conduct business. One or more regulatory authorities could determine that the Company has not complied with applicable licensing or permitting regulations or has not maintained the approvals necessary for the Company to conduct business within its jurisdiction.

If licenses, permits or approvals necessary for any of our operations were unavailable or unduly delayed, or if any permits or licenses that we hold were to be revoked, our ability to conduct business may be disrupted, which would have a material adverse effect on the Company's financial condition, results of operations and cash flows.

***Our failure to obtain adequate trademark and trade name protection may adversely affect our ability to compete.*** While we intend, to date, we have not filed an application for federal trademark registration for the mark "Chanhassen Brewing Company," for beer. We have not filed an assumed name registration with the state of Minnesota. The Company intends to use certain brand names and/or trademarks for our individual beer styles and product lines for which we have not yet pursued trademark protection. There can be no assurance that we will ultimately be able to obtain a federal trademark

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<sup>1</sup> This assumes that all 833,000 Series A Preferred Units are sold through this Offering, of which there can be no guaranty. If the Company sells less than all 833,000 Series A Preferred Units, the Series B Members will have a proportionally higher voting power.

registration for any of these names, or that our use of these marks will not infringe upon the rights of other companies using similar marks or that other companies will not infringe upon our rights. There can be no assurance that we would be successful in any suit challenging our use of our trademark or preventing any other business from using similar trade names and trademarks. Enforcing and protecting intellectual property rights can be expensive and time consuming, even if the outcome is in our favor.

*We may not have sufficient capital to protect our proprietary information.* There can be no assurance that third parties will not assert intellectual property claims against us with respect to our existing or future products or future trademarks. We could incur substantial costs in redesigning our brands, recipes and products or in defending any legal action taken against us. Should our products be found to infringe the intellectual property rights of others, we could be enjoined from selling our products subject to such rights, required to pay royalties under a license or required to pay damages to the infringed party. An unfavorable decision or a significant settlement in any intellectual property lawsuit could have a material adverse effect on our financial condition and result of operations.

*Excise Taxes.* An increase in excise taxes could adversely affect our financial condition and results of operations. Federal and state legislators routinely consider various proposals to impose additional excise taxes on the production of alcoholic beverages, including beer. Due in part to the prolonged economic recession and the follow-on effect on state budgets, a number of states are proposing legislation that would lead to significant increases in the excise tax rate on alcoholic beverages for their states. Any such increases in excise taxes, if enacted, would adversely affect our financial condition, results of operations, and cash flows.

### **General Tax Risks**

*Taxation of Members on Profits And Losses of the Company.* The Company will not pay federal income tax. Rather, each member must report and pay his, her or its allocative share of the Company's income, gains, loss, deductions, credits, and other items for the Company's taxable year ending with or within the member's taxable year. A member's allocative share of Membership Items will be determined under the LLC Agreement so long as the allocations in the LLC Agreement have substantial economic effect.

*You may have income tax liability in excess of cash distributed.* The members are entitled to receive cash distributions as declared by the Manager out of funds legally available for the payment of distributions. The Company may, but is not required to, make distributions sufficient to cover the members' personal tax obligations arising from their ownership of the Series A Preferred Units. Therefore, there can be no assurances that this will occur, and the income tax liability relating to your investment in the Company may exceed the net cash flow to be distributed to you from the Company. If this occurs, you will have to cover such tax liability out of your own assets. Any future determination as to the declaration and payment of distributions, including tax distributions, will be subject to Minnesota law, pre-existing obligations to lenders or investors, and at the sole and absolute discretion of the Manager.

**EXHIBIT D**  
**Articles of Organization**  
(See attached) **Operating Agreement**  
(See Ex. A)

## Office of the Minnesota Secretary of State Certificate of Organization

I, Steve Simon, Secretary of State of Minnesota, do certify that: The following business entity has duly complied with the relevant provisions of Minnesota Statutes listed below, and is formed or authorized to do business in Minnesota on and after this date with all the powers, rights and privileges, and subject to the limitations, duties and restrictions, set forth in that chapter.

The business entity is now legally registered under the laws of Minnesota.

Name: Chanhassen Brewing Company L.L.C.

File Number: 1091623000026

Minnesota Statutes, Chapter: 322C

This certificate has been issued on: 07/07/2019



A handwritten signature in black ink that reads "Steve Simon". The signature is written in a cursive, flowing style.

Steve Simon  
Secretary of State  
State of Minnesota

**Office of the Minnesota Secretary of State**  
**Minnesota Limited Liability Company/Articles of Organization**  
*Minnesota Statutes, Chapter 322C*



**The individual(s) listed below who is (are each) 18 years of age or older, hereby adopt(s) the following Articles of Organization:**

**ARTICLE 1 - LIMITED LIABILITY COMPANY NAME:**

**Chanhassen Brewing Company L.L.C.**

**ARTICLE 2 - REGISTERED OFFICE AND AGENT(S), IF ANY AT THAT OFFICE:**

Name

Address:

**Matthew James Rosati**

**1798 Marigold Court Chanhassen MN 55317 5531 USA**

**ARTICLE 3 - DURATION: PERPETUAL**

**ARTICLE 4 - ORGANIZERS:**

Name:

Address:

**Matthew Rosati**

**1798 Marigold Court Chanhassen MN 55317  
5531 United States**

If you submit an attachment, it will be incorporated into this document. If the attachment conflicts with the information specifically set forth in this document, this document supersedes the data referenced in the attachment.

***By typing my name, I, the undersigned, certify that I am signing this document as the person whose signature is required, or as agent of the person(s) whose signature would be required who has authorized me to sign this document on his/her behalf, or in both capacities. I further certify that I have completed all required fields, and that the information in this document is true and correct and in compliance with the applicable chapter of Minnesota Statutes. I understand that by signing this document I am subject to the penalties of perjury as set forth in Section 609.48 as if I had signed this document under oath.***

**SIGNED BY: Matthew Rosati**

**MAILING ADDRESS: None Provided**

**EMAIL FOR OFFICIAL NOTICES: mrosati@Chanhassenbrewing.com**





**Work Item 1091623000026**  
**Original File Number 1091623000026**

STATE OF MINNESOTA  
OFFICE OF THE SECRETARY OF STATE  
FILED  
**07/07/2019 11:59 PM**

*Steve Simon*

Steve Simon  
Secretary of State

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**OPERATING AGREEMENT**

**Chanhassen Brewing Company, LLC**

**July 26, 2019**

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THE MEMBERSHIP INTEREST UNITS REPRESENTED BY THIS DOCUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE WITH EXCEPTION OF MINNESOTA. THE UNITS HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE. SUCH UNITS MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, ASSIGNED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH SECURITIES UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, UNLESS THE HOLDER SHALL HAVE OBTAINED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

THE UNITS ARE SUBJECT TO FURTHER RESTRICTION AS TO THEIR SALE, TRANSFER, PLEDGE, HYPOTHECATION, OR ASSIGNMENT AS SET FORTH IN THIS AGREEMENT.

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## OPERATING AGREEMENT

### CHANHASSEN BREWING COMPANY, LLC

This Operating Agreement (this “**Agreement**”) is dated July \_\_, 2019, and is between Chanhassen Brewing Company, LLC, a Minnesota limited liability company (the “**Company**”), and the Persons who are identified on attached Exhibit A (as such Exhibit may be amended or supplemented from time to time as provided herein) as the members of the Company (collectively, the “**Members**”).

#### **Background:**

- A.** The Members constitute all of the current members of the Company.
- B.** The Minnesota Act authorizes the adoption of a written agreement among members concerning the business and affairs of a limited liability company.
- C.** The Members and the Company desire to enter into such an agreement.

NOW, THEREFORE, the Members and the Company hereby agree as follows:

#### **ARTICLE 1 DEFINED TERMS**

For purposes of this Agreement and all Exhibits and Schedules attached hereto, the capitalized terms shall have the meanings set forth on attached Exhibit B.

#### **ARTICLE 2 FORMATION AND ORGANIZATION**

**2.1. Name.** The Company shall have the name set forth above in the Preamble or such other name or names as the Board may from time to time designate. The Company’s activities shall be conducted under the name of the Company.

**2.2. Purpose and Powers.** The purpose of the Company is to own and operate a production brewery and tap room and to engage in any lawful business permitted by the Minnesota Act or other applicable law.

**2.3. No State Law Partnership.** No provisions of this Agreement shall be deemed or construed to constitute the Company being a partnership (including, without limitation, a limited partnership or a joint venture) for any purpose other than for federal, state, and local income tax purposes.

### ARTICLE 3 MANAGEMENT

**3.1. General Management.** The Company shall be managed by the Board, and the day-to-day operations of the Company shall be the responsibility of those officers appointed by the Board. The Board may appoint managers as officers.

**3.2. Board of Managers.** The Company's Board shall consist of the number of persons, and shall be elected, as provided below:

**3.2.1. Election of Managers.** Until the opening of the Brewery, two (2) Series B Members elected by the holders of a majority of the Series B Founder Units (the "**Series B Managers**") shall serve as the sole members of the Board. Promptly following the opening of the Brewery (and in no event later than thirty (30) days following such opening), the Board shall be expanded to include three (3) individuals total, elected as follows: (a) the Series B Managers will serve as two (2) members of the Board; and (b) the Series A Members, voting as a group, will elect the remaining one (1) manager (the "**Series A Manager**"). At a Member meeting, each Series A Member in attendance (or voting by proxy or written ballot) shall be entitled to cast one (1) vote per Series A Preferred Unit for one (1) Board seat to be held by a Series A Manager. The one (1) Series A Manager candidate who receives the most votes shall be elected as the Series A Manager. Each Series A Manager may only be removed from office by the affirmative vote of those Series A Members who hold a majority of the Series A Preferred Units held by all Series A Members.

**3.2.2. Action of Managers.**

- (a) **Routine Items.** All managers shall have one (1) vote for all matters that come before the Board. Every reference in this Agreement, the Bylaws of the Company, or the Minnesota Act to a majority or other proportion of the managers shall be deemed to refer to a majority or other proportion of the voting power of the managers as provided in this Section 3.2. Except as set forth in paragraph (b) below, any action of the Board shall require a majority vote of the managers.
- (b) **Major Decisions.** Notwithstanding paragraph (a) above, any of the following actions shall require the approval of three (3) of the three (3) managers (collectively, the "**Major Decisions**"):
  - (1) Merge or consolidate the Company with or into any other person or entity;
  - (2) Sell or otherwise dispose of substantially all of the Company's assets;
  - (3) Change or reorganize the Company into any other legal form;

- (4) Liquidate or dissolve the Company, except as expressly contemplated by this Agreement;
- (5) (i) File any voluntary petition in bankruptcy on behalf of the Company, (ii) consent to the filing of any involuntary petition in bankruptcy against the Company, (iii) file any petition seeking, or consenting to, reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency with respect to the Company, (iv) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of its property, (v) make any assignment for the benefit of creditors of the Company, (vi) admit in writing the inability of the Company to pay its debts generally as they come due, or (vii) take any action on behalf of the Company in furtherance of any such action;
- (6) Establish a new class of Members or equity that would dilute the economic rights of the Series A Members;
- (7) Approve any material expansion of the Brewery that is reasonably estimated to cost more than \$100,000;
- (8) Relocate the Brewery or open a new or additional brewing facility;
- (9) Borrow any funds in excess of \$250,000 or refinance any debt of the Company, except that the Company may borrow funds under credit facilities that were previously approved by the Board under this Section, but only to the extent that such borrowings are in the ordinary course of business; or
- (10) Approve an increase in the Officer Compensation paid to the President or Chief Financial Officer to an amount in excess of the amounts set forth in Section 3.3.2(B).

### **3.3. Officers.**

**3.3.1. Responsibilities.** The day-to-day operations of the Company shall be the responsibility of those officers appointed by the Board. The Board may appoint managers as officers. The officers shall have the general responsibilities described in the Company's Bylaws.

### **3.3.2. Officer Compensation.**

- (a) **Initial Compensation.** Matthew Rosati shall receive an initial base compensation of \$50,000 per year.

- (b) **Increases to Officer Compensation.** From time to time, if commercially reasonable and without rendering the Company insolvent, the Board may increase the Officer Compensation for the President and/or the Chief Financial Officer to reflect current market rates; provided, however, that any increase in Officer Compensation that is in excess of 5% of the prior year's Officer Compensation shall be a Major Decision subject to Section 3.2.2(b). With respect to the Chief Financial Officer's compensation, any increase constraint shall only apply after the Chief Financial Officer's salary is greater than zero.
- (c) **Deferral of Officer Compensation.** At their sole discretion, the President and/or Chief Financial Officer may elect to defer all or part of his Officer Compensation to future periods to ensure that the Company has sufficient cash flow.

#### ARTICLE 4 MEMBERSHIP INTERESTS; UNITS; ADMINISTRATIVE MATTERS

**4.1. General.** A Member's membership interest ("**Membership Interest**") in the Company constitutes a Member's financial and governance rights in the Company, as such terms are defined in the Act, in each case subject to the provisions of this Agreement and the Minnesota Act. Membership Interests shall be represented by "**Units**." The Membership Interests of the Company are divided into three (3) series: (i) Series A Preferred Units, (ii) Series B Founder Units, and (iii) Series C Performance Units. The Company has issued to each Member the number and series of Units set forth opposite the Member's name on attached Exhibit A.

**4.2. Terms of Units.** The Units shall have the rights and preferences set forth below.

**4.2.1. Series A Preferred Units.**

- (a) **Governance Rights.** Except for the voting rights with respect to the election of Series A Managers pursuant to Section 3.2.1, the holder of each Series A Preferred Unit shall have no voting or governance rights whatsoever, except as required by the Minnesota Act.
- (b) **Financial Rights; 6% Cumulative Preferred Return.** The holder of each Series A Preferred Unit shall be entitled to allocations and distributions as provided in Articles 6, 7 and 10 hereof. In addition, each Series A Member will be entitled to receive, out of funds legally available therefor, a six percent (6%) cumulative annual return, on the amount, from time to time, of the Member's Unreturned Capital Contributions. The preferred return shall terminate and expire once the Series A Members



have received their Unreturned Capital Contributions and Unpaid Preferred Returns.

**4.2.2. Series B Founder Units.**

- (a) **Governance Rights.** Except for the voting rights with respect to the election of Series B Managers pursuant to Section 3.2.1, the holder of each Series B Founder Unit shall have no voting or governance rights whatsoever, except as required by the Minnesota Act.
- (b) **Financial Rights.** The holder of each Series B Founder Unit shall be entitled to allocations and distributions as provided in Articles 6, 7 and 10 hereof.

**4.2.3. Series C Performance Units.**

- (a) **Governance Rights.** The Series C Performance Units shall have no voting or governance rights whatsoever, except as required by the Minnesota Act.
- (b) **Financial Rights.** The holder of each Series C Performance Unit shall be entitled to allocations and distributions as provided in Articles 6, 7 and 10 hereof.
- (c) **Profits Interest Only.** The Series C Members are not making Capital Contributions to the Company. The Series C Performance Units issued on or after the date of this Agreement are intended to be treated as “profits interests” under Rev. Proc. 93-27, 1993-2 C.B. 343, as clarified by Rev. Proc. 2001-43, 2001 2 C.B. 191 and the provisions of this Agreement will be interpreted and applied consistently therewith. The issuance of Series C Performance Units to the Series C Members is intended to be treated as a non-taxable transaction for income tax purposes under Rev. Proc. 93-27, 1993-2 C.B. 343, as clarified by Rev. Proc. 2001-43, 2001 2 C.B. 191.

**4.3. Limited Preemptive Rights.** The following provisions shall only apply after the opening of the Brewery to the general public:

- 4.3.1. General.** Prior to the issuance of any new Series A Preferred Units (the “*New Units*”), each Series A Member shall have the right to purchase its Preemptive Rights Percentage of the New Units being issued or sold, subject to the procedures outlined below.
- 4.3.2. Procedure.** The Company shall provide written notice (the “*New Unit Notice*”) to each Series A Member before offering to sell any New Units, which notice shall set forth in reasonable detail the proposed terms and conditions of such issuance, and shall offer to each Series A Member the opportunity to purchase his, her, or its Preemptive Rights Percentage of the New Units on the terms

specified in the notice. If any Series A Member wishes to exercise his, her, or its preemptive right, the Series A Member may do so by delivering written notice to the Company within thirty (30) days after receiving the New Unit Notice (such 30-day period is referred to as the “*Election Period*”). The Series A Member’s notice shall state the dollar amount of New Units that the Series A Member would like to purchase, which may be equal to or less than its Preemptive Rights Percentage of the New Units. The Company will have the ability to reject any such purchase by a Series A Member if (a) the Company abandons the proposed offering in its entirety, and (b) the Company does not initiate another Units offering within ninety (90) days of the date the first notice was given.

**4.3.3. Issuance of New Units to Existing Series A Members or Third Parties.** The Company shall have the right to issue and sell all or any of the New Units not subscribed for pursuant to the procedures described in Section 4.3.2 to any Person approved by the Board, so long as (a) such sale is consummated within ninety (90) days following the conclusion of the Election Period, and (b) the terms and conditions of such offering and sale are the same as those provided to the Series A Members under Section 4.3.2.

**4.3.4. Accelerated Offerings.** The Series A Members acknowledge that under certain circumstances, the Company may require capital on an accelerated basis such that the full preemptive right process described above cannot be completed in a timely manner. In such case, notwithstanding anything to the contrary in this Section 4.3, the Company may work with some, rather than all, of the Series A Members to raise the required funds in the required timeframe, so long as the Company makes the same investment opportunity available to all other Series A Members who were not offered the opportunity in connection with the closing of the initial offering. The Company may elect to make such same investment opportunity available to such other Series A Members either by requiring the initial subscribers to sell down a portion of their investment, by issuing additional Units, or a combination of the foregoing. If the Company elects to fulfill its obligation under the preceding sentence by issuing additional Units to those Series A Members that were not given the opportunity to participate in the original offering, the Units issued by the Company will not trigger preemptive rights with respect to the issuance thereof so long as the issuance is in satisfaction of the obligations under this Section.

**4.3.5. Limitation on Preemptive Rights.** Notwithstanding anything in this Section 4.3 to the contrary, the Company may issue additional equity interests in the Company (including additional Series B Founder Units and/or Series C Performance Units) without triggering preemptive rights with respect to the issuance thereof so long as such equity interests do not dilute the economic rights of the Series A Members.

**4.4. Schedule of Members.** The Secretary shall maintain a Schedule of Members, which shall include the names of the Members, their mailing addresses and e-mail addresses and the

number and series of Units held by each of them, and their respective Series A Percentage Interests and Series B/C Percentage Interests. A copy of the Schedule of Members as of the date hereof is attached as Exhibit A. Upon any Transfer, issuance, or redemption of any Units made in accordance with this Agreement, the Secretary shall amend Exhibit A to reflect such Transfer, issuance, or redemption of Units and the adjusted Units and Series A Percentage Interests and Series B/C Percentage Interests of the Members.

#### **4.5. Administrative Matters.**

- 4.5.1. Availability of Books and Records.** The Company shall keep or cause to be kept accurate accounts of the transactions of the Company in proper books and records of account which shall set forth all information required by Minnesota Act. Each Member shall be entitled to inspect or copy the books and records of the Company at any time during normal business hours at the principal place of business of the Company.
- 4.5.2. Tax Characterization and Tax Returns.** The Members acknowledge that the Company will be treated as a “partnership” for federal and state income tax purposes. Within ninety (90) days after the end of each Fiscal Year, the Company will deliver to each person who was a Member at any time during such Fiscal Year a Schedule K-1 and such other information, if any, with respect to the Company as may be necessary for the preparation of such Member’s federal or state income tax (or information) returns, including a statement showing each Member’s share of income, gain or loss and credits for such Fiscal Year for federal or state income tax purposes.
- 4.5.3. Tax Matters Member.** Matthew Rosati is hereby designated as the Tax Matters Member for the Company (the “*Tax Matters Member*”) in accordance with the definition of “tax matters partner” set forth in Section 6231 of the Code. The Tax Matters Member shall not be liable to the Company or any Member for any act or omission of the Tax Matters Member that was in good faith and in the belief that such act or omission was in or was not opposed to the best interests of the Company. The Tax Matters Member shall be indemnified by the Company in respect of any claim based upon such act or omission, provided that such act or omission is not in violation of this Agreement and does not constitute gross negligence, fraud, or a willful violation of law. The Tax Matters Member shall inform all other Members of all material tax matters that may come to the attention of the Tax Matters Member by giving the Members notice thereof within thirty (30) days after becoming so informed. All expenses and costs of the Tax Matters Member shall be borne by the Company.
- 4.5.4. Financial Statements.** Within ninety (90) days after the end of each Fiscal Year, or such other times as determined by the Board, the Board shall cause to be delivered to all Members internally prepared financial statements (including a balance sheet and income statement) as of the end of such Fiscal Year or other period.

## **ARTICLE 5 CAPITAL**

**5.1. Initial Capital Contributions; Issuance of Units.** Each Member's initial Capital Contribution is set forth on attached Exhibit A.

**5.2. Capital Accounts.** A separate Capital Account shall be maintained for each Member in accordance with the Code and the Regulations, including, without limitation, Regulations Section 1.704-1(b)(2)(iv).

**5.3. Capital Account Revaluations.** Following the acquisition of an additional Membership Interest by any new or existing Member either in exchange for more than a de minimis Capital Contribution or in connection with the grant of more than a de minimis Membership Interest as consideration for the provision of services to or for the benefit of the Company, the Capital Accounts of all the Members shall be restated in accordance with Regulations Section 1.704-1(b)(2)(iv)(f). In addition to the foregoing, the Capital Accounts of all the Members may also be restated following any of the events described in paragraph (ii) of the definition of Gross Asset Value.

**5.4. No Obligation to Restore Capital Account Deficit.** After all the allocations and distributions pursuant to Articles 6 and 7 have been made upon liquidation of the Company or liquidation of the Member's Membership Interest, a Member with a deficit balance in such Member's Capital Account shall not be obligated to contribute property or cash to the Company in order to restore such deficit Capital Account balance.

**5.5. No Additional Required Capital Contributions.** The Members shall not be required to make any additional Capital Contributions.

**5.6. Loans.** Members may make loans to the Company from time to time, as authorized by the Board. Any payment or transfer accepted by the Company from a Member which is not a Capital Contribution shall be deemed a loan and shall neither be treated as a Capital Contribution, nor entitle such Member to any additional Units. Any such loan shall be repaid at such times and with such interest (at rates not to exceed the maximum permitted by law) as the Board and the lending Member shall reasonably agree.

**5.7. Limited Liability.** No Member shall be personally liable for any of the debts of the Company unless unanimously agreed upon by all Members or required by law.

**5.8. Creditors.** A creditor who makes a loan to the Company shall not have or acquire, at any time as a result of making the loan, any direct or indirect interest in the Profits, Losses, capital, or Property of the Company other than as a creditor.

## ARTICLE 6 ALLOCATIONS

**6.1. Profits and Losses.** Except as otherwise provided in Section 6.2 and Section 6.5, any Profits or Losses of the Company for each Fiscal Year shall be allocated to the Members in accordance with the following:

### 6.1.1. Profits:

- (a) *First*, Profits shall be allocated to each Member, pro rata in accordance with, as to each Member, the excess, if any, of (x) the cumulative Losses allocated to such Member pursuant to Section 6.1.2 for all prior Fiscal Years, over (y) the cumulative Profits allocated pursuant to this Section 6.1.1 for all prior Fiscal Years; and
- (b) *Second*, until such time as the Unreturned Capital Contributions and Unpaid Preferred Returns of all Series A Members have not been reduced to zero, any remaining Profits shall be allocated as follows:
  - (1) Series A Adjusted Percentage Interest to the Series A Members as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series A Percentage Interests.
  - (2) Series Adjusted B/C Percentage Interest to the Series B Members and the Series C Members together as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series B/C Percentage Interests.
- (c) *Third*, until such time as the Unreturned Capital Contributions and Unpaid Preferred Returns of all Series A Members have been reduced to zero, any remaining Profits shall be allocated as follows:
  - (1) Series A Percentage Interest to the Series A Members as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series A Percentage Interests.
  - (2) Series B/C Percentage Interest to the Series B Members and the Series C Members together as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series B/C Percentage Interests.

### 6.1.2. Losses:

- (a) *First*, Losses shall be allocated to each Member, pro rata in accordance with, as to each Member, the excess, if any, of (x) the cumulative Profits allocated to such Member pursuant to Section 6.1.1 for all prior Fiscal Years, over (y) the cumulative Losses allocated pursuant to this Section 6.1.2 for all prior Fiscal Years; and
- (b) *Second*, until such time as the Unreturned Capital Contributions and Unpaid Preferred Returns of all Series A Members have not been reduced to zero, any remaining Losses shall be allocated as follows:

- (1) Series A Adjusted Percentage Interest to the Series A Members as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series A Percentage Interests.
  - (2) Series B/C Adjusted Percentage Interest to the Series B Members and the Series C Members together as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series B/C Percentage Interests.
- (c) *Third*, until such time as the Unreturned Capital Contributions and Unpaid Preferred Returns of all Series A Members have been reduced to zero, any remaining Losses shall be allocated as follows:
- (1) Series A Percentage Interest to the Series A Members as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series A Percentage Interests.
  - (2) Series B/C Percentage Interest to the Series B Members and the Series C Members together as a class, and in turn to be allocated among them, pro rata, in proportion to their respective Series B/C Percentage Interests.

**6.2. Regulatory Allocations.** Prior to making any allocations of Profits and Losses under Section 6.1 for a Fiscal Year, the Company shall make the regulatory allocations (if any) that are required for the Fiscal Year under either Regulations Section 1.704-1(b) or Regulations

Section 1.704–2 (the “**Regulatory Allocations**”), and, by this reference, such Regulations Sections are incorporated fully into this Agreement as if set forth fully in this Agreement, and it shall be understood that this Agreement “provides” or “contains” the provision to which a provision of either such Regulation Section refers. Without limiting the generality of the preceding sentence, “nonrecourse deductions” (as defined in Regulations Section 1.704–2(b)(1)) shall be included in determining Profits or Losses for a Fiscal Year. Notwithstanding any other provisions of this Article 6, the Regulatory Allocations shall be taken into account in allocating Profits, Losses, and the items of Company income, gain, loss, and deduction to the Members so that, to the extent possible, the net amount of such allocations of Profits, Losses, and other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred.

**6.3. Allocations of Individual Items.** All items of Company income, gain, loss, deduction for federal and state income tax purposes, and any other allocations not otherwise provided for, shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for the Fiscal Year. The Board’s determination of allocations shall be binding upon all parties.

**6.4. Section 704(c) and Capital Account Revaluation Allocations.** To the fullest extent possible with respect to the allocation of depreciation and gain for federal income tax purposes, Section 704(c) of the Code and Regulations Section 1.704–3(b) shall apply with respect to any non-cash Capital Contribution by a Member. For purposes hereof, any allocation of any item of Company income, gain, or loss to a Member pursuant to Section 704(c) of the Code shall affect only the Member’s tax basis in such Member’s Membership Interest and shall not affect the Member’s Capital Account. In addition to the foregoing, if Company Property is reflected in the Capital Accounts of the Members at a book value that differs from the adjusted tax basis of such Property (e.g., pursuant to paragraph (ii) of the definition of Gross Asset Value), then allocations of depreciation, amortization, income, gain, or loss with respect to such Property shall be made among the Members in a manner consistent with the principles of Section 704(c) of the Code (subject to Section 6.6.2) and Regulations Section 1.704–3(b).

**6.5. Limitation Upon Member’s Loss Allocations.** Losses allocated pursuant to Section 6.1 shall not exceed the maximum amount of Losses that can be allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Fiscal Year. If some, but not all, of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses pursuant to Section 6.1, the limitation set forth in this Section shall be applied on a Member-by-Member basis (and may be applied more than once if required to allocate Losses fully for a Fiscal Year), and Losses not allocable to any Member as a result of such limitation shall be allocated to the other Members (to whom Losses may continue to be allocated) in accordance with their relative ownership of Units, so as to allocate the maximum permissible Losses to each Member under Section 1.704–1(b)(2)(ii)(d) of the Regulations. For purposes of the preceding sentence, the Series C Performance Units of a Series B Member shall not be taken into account. If Losses have been specially allocated to one or more Members pursuant to this Section in a prior Fiscal Year, then Profits for current Fiscal Year shall be specially allocated to each such Member to the extent of the difference between the cumulative Losses allocated to such Member pursuant to this Section for all prior Fiscal Years and the

cumulative amount of Profits allocated to such Member pursuant to this Section for all prior Fiscal Years and in proportion to such differences of all such Members.

## **6.6. Power of the Board Regarding Tax Matters.**

**6.6.1.** It is the intent of the Members that each Member's allocable share of Profits and Losses shall be determined and allocated in accordance with the provisions of this Article 6 to the fullest extent permitted by Section 704(b) of the Code and the Regulations promulgated thereunder. The Board may modify the definition of Capital Account contained in Exhibit B to the extent the Board reasonably determines that such modification is necessary to comply with the Regulations, provided that such modification is not likely to have a material adverse effect on the amounts distributable to a Member under Section 10.3 following the dissolution and liquidation of the Company or the liquidation of the Member's Membership Interest.

**6.6.2.** The Board shall have the power to (a) make or revoke such elections as may be allowed pursuant to the Code with respect to the Company, including the election referred to in Section 754 of the Code to adjust the basis of the Company's property; (b) determine the method (or methods) adopted by the Company for making any income tax allocations required by Section 704(c) of the Code or the Regulations thereunder, and (c) determine all other tax matters relating to the Company, including accounting procedures, not expressly provided for this Agreement.

**6.7. Allocations Following Transfers of Units.** If any Units are Transferred during any Fiscal Year of the Company, the Company income or loss attributable to such Units for such Fiscal Year shall be allocated between the transferor and the transferee in any manner permitted by law as they shall agree; provided, however, that if the Company does not receive, within thirty (30) days of the Transfer, written notice stating the manner in which the parties have agreed to allocate such Company income or loss, then the Company may allocate income or loss between the parties based on the percentage of the Fiscal Year each party was, according to the books and records of the Company, the owner of record of the Units transferred.

## **ARTICLE 7 DISTRIBUTIONS**

**7.1. Net Cash Flow.** In the discretion of the Board, Net Cash Flow shall be distributed annually (or at such other times as determined by the Board) to the Members in accordance with the following:

**7.1.1.** *First*, until such time as all Unreturned Capital Contributions and Unpaid Preferred Returns of all Series A Members have been reduced to zero, to the Members in accordance with the following:



- (a) Series A Adjusted Percentage Interest to the Series A Members as a class, and in turn to be distributed among them, pro rata, in proportion to their respective Series A Percentage Interests.

Series B/C Adjusted Percentage Interest to the Series B Members and the Series C Members together as a class, and in turn to be distributed among them, pro rata, in proportion to their respective Series B/C Percentage Interests.

**7.1.2.** *Second*, at any time after all Unreturned Capital Contributions of the Series A Members have been reduced to zero, to the Members in accordance with the following:

- (a) Series A Percentage Interest to the Series A Members as a class, and in turn to be distributed among them, pro rata, in proportion to their respective Series A Percentage Interests.
- (b) Series B/C Percentage Interest to the Series B Members and the Series C Members together as a class, and in turn to be distributed among them, pro rata, in proportion to their respective Series B/C Percentage Interests.

**7.2. Tax Distributions.** In addition to the distributions described under Section 7.1, to the extent that cumulative, allocated Profits exceed cumulative, allocated Losses for the Fiscal Year with respect to which distributions are being made pursuant to this Section 7.2 and all prior Fiscal Years, the Company shall make distributions out of the Net Cash Flow to the Members on a pro rata basis in accordance with each Member's share of the Company's taxable income, at such times and in such amounts as are reasonably estimated by the Board to be at least sufficient to enable each Member to make timely payments of federal, state, and local income and franchise taxes (including estimated taxes) attributable to such cumulative, allocated net Profits of the Company properly allocated to the Members ("**Tax Distributions**"). Notwithstanding the foregoing, the Company shall not be required to make Tax Distributions to the extent that (a) the Board determines that doing so would not be commercially reasonable or would render the Company insolvent or (b) the Tax Distributions are prohibited by the Company's loan agreements with third party lenders.

**7.3. Distribution Among Members.** If any Units are Transferred during any Fiscal Year, all distributions on or before the date of such Transfer will be made to the transferor, and all distributions after such date will be made to the transferee.

**7.4. Limitation on Distributions.** No distribution shall be made to Members if prohibited by the Minnesota Act.

## ARTICLE 8 TRANSFERS OF UNITS

**8.1. General Restrictions on Transfers.** A Member may only Transfer Units in compliance with this Article 8. Any Transfer or attempted Transfer of all or any portion of a Member's Units that is not in compliance with this Article 8 shall be null and void and of no force or effect, and the parties engaging or attempting to engage in such Transfer shall be liable to indemnify and hold harmless the Company and the other Members from all cost, liability, and damage that the Company and any of such indemnified Members may incur (including, without limitation, incremental tax liabilities, attorneys' fees and expenses) as a result of such Transfer or attempted Transfer and efforts to enforce the indemnity granted hereby.

### **8.2. Permitted Transfers.**

**8.2.1. Generally.** The following Transfers (in each case, a "*Permitted Transfer*") shall be permitted and shall not trigger any of the Purchase Options described in Section 8.3:

- (a) Transfers of Units by any Member to one or more of such Member's Permitted Transferees;
- (b) Transfers of Units by a Member to another Member; or
- (c) Transfers of Units by a Member to the Company.

**8.2.2. Restrictions on Future Transfers.** Following any Permitted Transfer, the rights, restrictions, and obligations contained in this Article 8 shall continue to be applicable to the Units as such restrictions, rights, and obligations were applicable prior to such Permitted Transfer.

**8.2.3. Admission of Permitted Transferee.** Notwithstanding anything to the contrary in this Section 8.2, a Permitted Transferee may only be admitted to the Company as a Substituted Member upon satisfaction of all of the conditions set forth in Section 9.1. A Permitted Transferee who is not admitted to the Company as a Substituted Member shall only have the rights of an Unadmitted Assignee as described in Section 9.2.

**8.3. Voluntary Transfers.** No Member may make any voluntary Transfer of his, her, or its Units to a third party (other than a Permitted Transfer as set forth in Section 8.2) prior to the fifth (5th) anniversary of this Agreement (the "*Restricted Period*"). Following the Restricted Period, a Member must comply with the provisions of this Section 8.3 in order to make any voluntary Transfer of his, her, or its Units (other than a Permitted Transfer as set forth in Section 8.2).

#### **8.3.1. First Look Period.**

- (a) **Right of First Offer in Favor of Series B Members.** Any Member who desires to exit the Company or sell a portion of his, her, or its Units (a "*Transferring Member*") must first offer such Member's Units to the

Series B Members. Promptly following the Transferring Member's notification to the Series B Members that the Transferring Member desires to make a Voluntary Transfer, the parties shall negotiate the purchase price and payment terms for the Offered Units for up to thirty (30) days. Matthew Rosati shall negotiate the purchase price on behalf of the Series B Members. The Series B Members shall have the option, but not the obligation, during such 30-day period, to purchase all, but not less than all of the Offered Units for the mutually agreed upon purchase price and payments terms. Each Series B Member may purchase up to the amount of Offered Units equal to the product of the number of Offered Units multiplied by such Series B Member's Series B Percentage Interest. To exercise his, her, or its purchase option, a Series B Member shall deliver written notice to the Transferring Member and the Company. If any Series B Member does not purchase the full amount of the Offered Units that such Series B Member is entitled to purchase, then the other Series B Members may purchase the excess; provided, however, that in no event shall the process extend beyond 45 total days from the first offer. For purposes of clarification, if the Transferring Member is a Series B Member, then he, she, or it shall not have any purchase option rights under this Section and the Series B Percentage Interest(s) of the other Series B Members shall be calculated exclusive of the Percentage Interest of the Transferring Member. Upon expiration of the option period described above (or if the parties have not agreed upon the purchase price during the 30-day negotiation period), if enough Series B Members have not exercised their options to purchase all of the Offered Units, then any partial acceptance shall be void and of no effect, and the Transferring Member may then, for a period of ninety (90) days, offer the Offered Units to an independent, third-party purchaser, subject to the conditions of Section 8.3.2.

**8.3.2. Third Party Transfer.** If, during the 90-day period following the conclusion of the procedures set forth in Section 8.3.1(a), the Transferring Member has accepted a bona fide offer to sell some or all of his, her, or its Units to an independent, third-party purchaser (the "**Purchaser**"), the Transferring Member shall provide written notice to the Series B Members as provided below. The written notice (the "**Third-Party Transfer Notice**") shall (a) identify the Units proposed to be Transferred; (b) list the name and address of the Purchaser; (c) describe the price and payment terms, and any other terms of the proposed Transfer; and (d) include a representation, covenant and warranty that the Purchaser's offer to purchase the Offered Units is genuine.

(a) **First Purchase Option in Favor of the Series B Members.** The Series B Members shall have the option, but not the obligation, for a period of thirty (30) days after delivery of the Third-Party Transfer Notice, to purchase all or any portion of the Offered Units at the per Unit purchase price and on the terms stated in the Third-Party Transfer Notice. Each Series B Member may purchase up to the amount of Offered Units equal

to the product of the number Offered Units multiplied by such Series B Member's Series B Percentage Interest. If any Series B Member does not purchase the full amount of the Offered Units that such Series B Member is entitled to purchase, then the other Series B Members may purchase the excess; provided, however, that in no event shall the process extend beyond 45 total days from the first offer. To exercise his, her, or its purchase option, a Series B Member shall deliver written notice to the Transferring Member and the Company.

- (b) **Second Purchase Option in Favor of the Company.** Upon the expiration (or earlier waiver) of the option period provided to the Series B Members under paragraph (a) above, the Company shall have the option, for a period of thirty (30) days thereafter, to purchase all, but not less than all, of the Offered Units not purchased by the Series B Members, for the per Unit purchase price and on the terms stated in the Third-Party Transfer Notice. The Company may exercise the purchase option by delivering written notice to the Transferring Member.
- (c) **Failure to Exercise Purchase Options.** Upon expiration of the option period provided above to the Company, if the Series B Members and/or the Company have not exercised their respective options to purchase all of the Offered Units, then any partial acceptance shall be void and of no effect, and the Transferring Member may Transfer all of the Offered Units to the Purchaser, provided that (i) such Transfer does not occur on terms more favorable to the Purchaser than the terms upon which the Offered Units were offered to the Series B Members and the Company, (ii) the Transfer is completed within thirty (30) days following the expiration (or earlier waiver) of the option period provided to the Company, and (iii) the Purchaser is admitted to the Company as a Substituted Member.

#### 8.4. Default Events.

- 8.4.1. **Default Event Notice.** Upon the occurrence of an Involuntary Transfer or Change in Control of a Member (each, a "**Default Event**"), the Member whose Units are subject to such Default Event (the "**Defaulting Member**") shall send written notice to the Company describing in reasonable detail such Default Event, including, in the case of an Involuntary Transfer, the identity of the proposed transferee and the circumstances giving rise to the Default Event (the "**Default Event Notice**"). If the Defaulting Member does not give the Default Event Notice as required in the foregoing sentence, the Company shall nevertheless be deemed to have received the Default Event Notice if it acquires actual notice of the occurrence of the Default Event. The Company shall then promptly notify the Series B Members of the Default Event, and the Series B Members and the Company shall have the option to purchase all or any portion of the Units of the Defaulting Member that are subject to the Default Event, as described below.

- 8.4.2. Purchase Price.** The purchase price for the Offered Units shall be equal to the Book Value of the Capital Account associated with the Offered Units, as determined by the accountants regularly servicing the books of the Company through application of generally accepted accounting principles, consistently applied, which determination shall be conclusive, final and binding on all parties, absent fraud or manifest error.
- 8.4.3. Payment Terms.** The payment terms for the Offered Units shall be as follows: (i) not less than twenty percent (20%) of the purchase price shall be paid in cash or certified funds at closing, and (ii) the balance of the purchase price will be represented by a five (5) year promissory note bearing an annual rate of interest equal to the Prime Rate, payable in equal annual installments sufficient to amortize all principal and interest thereunder over five (5) years.
- 8.4.4. First Option in Favor of the Series B Members.** For a period of thirty (30) days following the determination of the purchase price under Section 8.4.2, the Series B Members shall have the same purchase options described in Section 8.3.2(a); provided, however, that there is no requirement that the Series B Members and the Company must collectively purchase all of the Offered Units.
- 8.4.5. Second Option in Favor of the Company.** For a period of thirty (30) days following the expiration (or earlier waiver) of the option period provided to the Series B Members, the Company shall have the same purchase option described in Section 8.3.2(b); provided, however, that there is no requirement that the Series B Members and the Company must purchase all of the Offered Units.
- 8.4.6. Failure to Exercise Options.** Upon the expiration (or earlier waiver) of the option period provided to the Company, if the Series B Members and/or the Company have not exercised their option(s) to collectively purchase all of the Offered Units, then, in the case of an Involuntary Transfer, a Transfer of the Offered Units not purchased by the Series B Members or the Company may occur (or, in the case of a Change in Control, the Member shall retain any Offered Units not purchased by the Series B Members or the Company); provided, however, that in the case of an Involuntary Transfer, the Involuntary Transferee shall automatically become an Unadmitted Assignee of the Offered Units (as described in Section 9.2).

**8.5. Death of a Member.** Upon the death of a Member, such Member's Successor(s) shall succeed to the financial rights of the Deceased Member. The Successor(s) of all or any portion of the Deceased Member's Units will be admitted to the Company as Substituted Member(s) only if the conditions set forth in Section 9.1 have been satisfied. Successor(s) who are not admitted to the Company as Substituted Member(s) shall only have the rights of Unadmitted Assignees as described in Section 9.2.

**8.6. Closing Procedures.** The closing of a purchase or sale of Units pursuant to this Agreement shall take place within thirty (30) days following the expiration of the applicable option period. The closing shall take place at any location as is mutually agreed upon by the

parties. At the closing, the selling party shall deliver to the purchasing party, in exchange for payment of the purchase price, a full and complete assignment of the Units to be purchased and sold, together with any other documents as may be reasonably required to transfer full and complete title to the Units to the purchasing party, in form reasonably satisfactory to the purchasing party. The selling party shall warrant that the selling party has good title to, the right to possession of and the right to sell the Units and that the Units are transferred to the purchasing party free and clear of all pledges, liens, encumbrances, charges, proxies, restrictions, options, transfers and other adverse claims, except those as have been imposed by this Agreement. Each selling party shall further warrant that the selling party will indemnify and hold harmless the purchasing party for all costs, expenses and fees incurred in defending the title to and/or the right to possession of such Units.

**8.7. Additional Transfer Restrictions on Series C Performance Units.** The Company plans to adopt an “Equity Incentive Plan” that governs the Series C Performance Units. In addition, all Series C Performance Units will be issued pursuant to individual award agreements, which will contain additional restrictions on transferability of the Series C Performance Units. To the extent that the “Equity Incentive Plan” or any of the individual award agreements conflict with this Agreement, then the “Equity Incentive Plan” and individual award agreements will control.

**8.8. Expulsion of a Member.** Notwithstanding any other provision in this Section to the contrary, a Member will be immediately expelled from the Company, and will forfeit his, her, or its Units back to the Company for no consideration whatsoever following the occurrence of any Expulsion Event.

## **ARTICLE 9 ADMISSION OF SUBSTITUTED MEMBERS**

**9.1. Admission of Substituted Members.** A transferee of Units (including a Permitted Transferee) may only be admitted to the Company as a substituted Member (a “*Substituted Member*”) upon satisfaction of all of the conditions set forth below:

- 9.1.1.** The Units with respect to which the transferee is being admitted were acquired by means of a Transfer permitted by Article 8.
- 9.1.2.** The transferee shall, by written instrument in form and substance reasonably satisfactory to the Board:
  - (a)** accept and adopt the terms of this Agreement, and
  - (b)** assume the obligations of the transferor Member under this Agreement with respect to the transferred Units, except for (i) those obligations or liabilities of the transferor Member arising out of a breach of this Agreement, and (ii) those obligations or liabilities of the transferor Member based on events occurring, arising, or maturing prior to the date of Transfer.

**9.1.3.** If requested by the Board, a transferee shall provide the Company with an opinion of counsel, satisfactory in form and substance to the Board, that:

- (a) the Transfer will not impair the Company's ability to be taxed as a partnership; and/or
- (b) the Transfer is exempt from registration under applicable securities laws.

**9.1.4.** The transferee shall pay or reimburse the Company for all reasonable legal, filing, administrative and other costs that the Company incurs in connection with registering the Transfer on the books of the Company and the admission of the transferee as a Substituted Member.

**9.2. Unadmitted Assignees.** A Person who acquires Units (including a Permitted Transferee), but is not admitted to the Company as a Substituted Member (an "*Unadmitted Assignee*"), shall only be entitled to allocations and distributions with respect to such Units in accordance with this Agreement, and shall not have any rights of a Member under the Minnesota Act or this Agreement. In addition, the Units held by an Unadmitted Assignee shall continue to be subject to the restrictions on Transfer provided for in Article 8.

## **ARTICLE 10 DISSOLUTION AND LIQUIDATION**

**10.1. Events Triggering Dissolution.** The Company shall commence dissolution proceedings upon the earliest to occur of the following events:

- 10.1.1.** The Board unanimously agrees that the Company shall be dissolved or votes, at a duly called and held meeting of the Members, in favor of the dissolution of the Company;
- 10.1.2.** The Company sells all or substantially all of its assets, except that the Company shall continue in existence following a deferred payment sale of such assets until the last day of the Fiscal Year in which it shall have received the full amount of principal and interest which it is entitled to receive with respect to such deferred payment sale; or
- 10.1.3.** Any event occurs which, under the laws of the State of Minnesota and in spite of the terms of this Agreement, shall cause the dissolution of the Company.

**10.2. Winding Up Procedures.** The officers of the Company will wind up the Company's affairs in accordance with the Minnesota Act, and will be authorized to take any and all actions contemplated by the Minnesota Act as permissible.

**10.3. Liquidating Distribution.** Following the completion of the winding up procedures described in Section 10.2, the Company shall make a final liquidating distribution to all Members with positive Capital Account balances (after such balances have been adjusted to reflect the allocation of Company Profits or Losses arising from such event), in proportion to and to the extent of such positive balances.

## ARTICLE 11 MISCELLANEOUS

**11.1. No Wholesale or Retail Liquor Ownership.** No Member may: (i) acquire any ownership of or control over, directly or indirectly, an entity that is a licensed liquor, spirits, wine, or beer wholesaler or retailer in the State of Minnesota; or (ii) acquire ownership of, control over, or participate in the management of a third party that is a licensed liquor, spirits, wine, or beer wholesaler retailer, importer, manufacturer or distributor in violation of applicable law. If a Member breaches this Section, an Expulsion Event shall automatically occur immediately upon the occurrence of the breach, even if the Company does not learn of the breach until after it has occurred.

**11.2. Equitable Remedies.** Each Member acknowledges that because breach by the Member of any of such Member's obligations under this Agreement could cause irreparable harm for which damages would be an inadequate remedy, if any such breach occurs or is threatened, the Company and/or the other Members will be entitled to an injunction, a restraining order, or any other equitable remedy, in each case without posting a bond or other security and without proof of actual damages.

**11.3. Recovery of Expenses.** In any adversarial proceedings between the Company and a Member arising out of this Agreement, the Company will be entitled to recover from the Member, in addition to any other relief awarded, all expenses that the Company incurs in those proceedings, including legal fees and expenses.

**11.4. Entire Agreement.** This Agreement constitutes the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes all other agreements, whether written or oral, between the parties.

**11.5. Severability.** If any provision of this Agreement is held to be unenforceable, then that provision is to be construed by modifying it to the minimum extent necessary to make it enforceable, unless such modification is not permitted by law, in which case that provision is to be disregarded. If an unenforceable provision is modified or disregarded in accordance with this Section, the rest of this Agreement is to remain in effect as written, and the unenforceable provision is to remain as written in any circumstances other than those in which the provision is held to be unenforceable.

**11.6. Amendments.** Except as set forth in Section 4.4, no amendment to or termination of this Agreement will be effective unless it is in writing and signed by (a) Members holding at least two-thirds percent (2/3) of the Series A Preferred Units and (b) Members holding at least two-thirds percent (2/3) of the Series B/C Units.

**11.7. Successors and Assigns.** Except as otherwise specifically provided herein, this Agreement shall be binding upon and inure to the benefit of the Members and their legal representatives, successors, heirs, and assigns.

**11.8. Governing Law.** The laws of the State of Minnesota, without giving effect to its principles of conflicts of law, govern all adversarial proceedings arising out of this Agreement.



**11.9. Venue.** If either party brings against the other party any proceeding arising out of this Agreement or arising out of disclosure or use of Confidential Information, that party may bring that proceeding only in the United States District Court for the District of Minnesota or in any state court of Minnesota sitting in Hennepin County, Minnesota, and each party hereby submits to the exclusive jurisdiction of those courts for purposes of any such proceeding. Each party hereby waives any claim that any proceeding brought in accordance with this Section has been brought in an inconvenient forum or that the venue of that proceeding is improper.

**11.10. Waiver of Jury Trial. EACH PARTY HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY PROCEEDINGS ARISING OUT OF THIS AGREEMENT.**

**11.11. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original and together shall constitute a single agreement. Delivery of an executed counterpart of this Agreement by facsimile or email with scan attachment shall be as effective as delivery of a manually executed counterpart of this Agreement.

**11.12. Notices.** Any notice or other communication required or permitted hereunder shall be in writing and may be delivered by hand, overnight courier service, or United States mail. Notices delivered by hand or overnight courier shall be deemed to have been duly given on the date of delivery. Notices delivered by United States mail shall be deemed to have been duly given four (4) days after the date of mailing, if mailed postage paid by certified first class mail, return receipt requested. All notices to be given under this Agreement shall be addressed to the parties at the following addresses and/or to such other addresses as any party may specify in a notice given in accordance with this section (in such event, the Company shall amend this Agreement (including attached Exhibit A) to reflect the then current addresses of the Members):

**11.12.1.** If to the Company or to the Board, to the attention of the Matthew Rosati at the address specified on attached Exhibit A.

**11.12.2.** If to any Member, to the attention of such Member at the address specified on attached Exhibit A.

**11.13. Interpretation.** In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

#### **11.14 Waivers**

**Waiver of Dissenters' Rights.** TO THE FULLEST EXTENT PROVIDED UNDER THE MINNESOTA ACT, THE MEMBERS HEREBY WAIVE ANY RIGHT TO DISSENT FROM ANY OF THE ACTIONS ENUMERATED IN SECTION 322B.383 OF THE MINNESOTA ACT OR RECEIVE PAYMENT OF THE FAIR VALUE OF A MEMBER'S MEMBERSHIP INTEREST (AS STATED IN SECTION 322B.383 OF THE MINNESOTA ACT).

**Waiver of Certain Remedies.** A MEMBER MAY NOT PETITION A COURT PURSUANT TO 322C.701, SUBD. 1 OR OTHERWISE TO REQUIRE THE COMPANY OR ANY MEMBER TO PURCHASE THE MEMBERSHIP INTEREST OF ANOTHER MEMBER, AND A COURT MAY NOT REQUIRE THE COMPANY OR ANY MEMBER TO PURCHASE THE MEMBERSHIP INTEREST OF ANOTHER MEMBER PURSUANT TO 322C.701, SUBD. 2.

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the date first written above.

**COMPANY:**

CHANHASSEN BREWING COMPANY,  
LLC

Signed: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**MEMBERS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT A**  
**SCHEDULE OF MEMBERS; CAPITAL ACCOUNTS**

as of July 26, 2019

<b>Member Name and Address</b>	<b>Initial Capital Contribution</b>	<b>Series A Preferred Units</b>	<b>Series B Founder Units</b>	<b>Series C Performance Units</b>	<b>Series A Percentage Interest</b>	<b>Series B/C Percentage Interest</b>
Matthew Rosati	\$0	0	750,000	0	0%	50%
Laura Rosati	\$0	0	750,000	0	0%	50%
<b>TOTAL</b>	<b>\$</b>	<b>0</b>	<b>1,500,000</b>	<b>0</b>	<b>0%</b>	<b>100%</b>

Note: the member's ownership may be restated at closing to match the intended ownership percentages contemplated in the Summary of Terms

**EXHIBIT B  
DEFINED TERMS**

**“Adjusted Capital Account Deficit”** means, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

- (a) Such Capital Account shall be increased to reflect the amounts, if any, which such Member is obligated to restore to the Company or is treated as or deemed to be obligated to restore pursuant to Regulations Sections 1.704–2(g)(1) and 1.704–2(i)(5); and
- (b) Such Capital Account shall be reduced to reflect any items described in Regulations Sections 1.704–1(b)(2)(ii)(d)(4), (5), and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704–1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

**“Agreement”** means this Operating Agreement, as from time to time amended, supplemented, or restated.

**“Certificate of Formation”** means the Certificate of Formation of the Company, originally filed with the Minnesota Secretary of State on July 2, 2019 and all amendments, restatements, and supplements thereto.

**“Board”** means the Board of Managers of the Company.

**“Brewery”** means the brewing facility and tap room to be owned and operated by the Company.

**“Capital Account”** means with respect to any Member, the capital account maintained for such Member in accordance with following provisions:

- (i) A Member’s Capital Account shall be increased by such Member’s Capital Contributions, such Member’s distributive share of Profits, any items in the nature of income or gain that are allocated to such Member pursuant to Article 6 hereof, and the amount of any Company liabilities assumed by such Member that are secured by any Property distributed to such Member.
- (ii) A Member’s Capital Account shall be decreased by the amount of cash and the Gross Asset Value of any Property distributed to such Member pursuant to any provision of this Agreement, such Member’s distributive share of Losses any items in the nature of expense or losses that are allocated to the Member pursuant to Article 6 hereof, and the amount of any liabilities of such Member assumed by the Company or that are secured by any property contributed by such Member to the Company.

- (iii) In determining the amount of any liability for purposes of clauses (i) and (ii) of this definition, there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and the Regulations.
- (iv) Subject to the provisions of this Agreement, if any Units are Transferred in accordance with Article 8 hereof, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Units being Transferred.

**“Capital Contribution”** means, with respect to any Member, the amount of money, the forgiveness of any debt, the fair market value of any services, and/or the Gross Asset Value of any property (other than money) contributed to the Company in consideration of the Units held by such Member.

**“Change In Control”** means that the current ownership group of a Member shall cease to Control the Member.

**“Code”** means the U.S. Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision of any succeeding law.

**“Company”** has the meaning given in the Preamble to this Agreement.

**“Control”** means, with respect to any Person, the power to control, directly or indirectly, the direction of the management and policies of a Person, whether such power is effected through ownership of shares, units or other securities, by contract, by proxy or otherwise; for the avoidance of doubt, the ownership of more than fifty percent (50%) of such Person by another Person, or the ability of another Person to appoint or elect more than fifty percent (50%) of the Board of directors or other equivalent governing Board of such Person shall constitute an example of Control of such Person.

**“Deceased Member”** means a Member who is deceased.

**“Default Event”** means an Involuntary Transfer or Change In Control.

**“Default Event Notice”** has the meaning set forth in Section 8.4.

**“Defaulting Member”** means a Member whose Units become subject to a Default Event and are therefore offered for sale to the Company and Remaining Members.

**“Depreciation”** shall mean, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, then Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis; provided; however; that if the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Board.

“**Disbursements**” means, with respect to the Company for any period, all costs and expenses paid or incurred during such period by the Company (including Officer Compensation).

“**Expulsion Event**” means, with respect to any Member, (a) the Member commits an act that brings the Company into substantial public disgrace or disrepute, or (b) the Member breaches Section 11.1.

“**Fiscal Year**” means: (i) the year commencing on the date of this Agreement and ending on December 31, 2019; (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31; or (iii) any portion of the period described in clauses (i) or (ii) for which the Company is required to allocate Profits, Losses, and other items of Company income, gain, loss, or deduction pursuant to this Agreement.

“**Gross Asset Value**” means, with respect to any asset, the asset’s adjusted basis for federal income tax purposes, except as follows:

- (i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the fair market value of such asset, as determined by the contributing Member and the Company;
- (ii) The Gross Asset Value of each item of Property shall be adjusted to equal its gross fair market value, as determined by the Board, as of the following times:
  - (A) the issuance of additional Units to a new or existing Member, as described in Section 5.3, (B) the distribution by the Company to a Member of more than a de minimis amount of Property, and (C) the liquidation of the Company within the meanings of Regulations Section 1.704–1(b)(ii)(g); provided, however, that if Gross Asset Values are adjusted as provided herein, then the Members’ Capital Accounts shall be restated in accordance with Regulations Section 1.704–1(b)(2)(iv)(f) and that adjustments pursuant to clause (B) above shall be made only if the Board reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;
- (iii) The Gross Asset Value of any Property distributed to any Member shall be its fair market value, as determined by the Member and the Company, on the date of distribution; and

The Gross Asset Value of Property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Property pursuant to Section 734(b) of the Code or Section 743(b) of the Code, but only to extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704–1(b)(2)(iv)(m); provided, however, that Gross Asset Values shall not be adjusted pursuant to this clause (iv) to the extent the Board determines that an adjustment pursuant to pursuant to clause (ii) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment to this clause (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to clauses (i), (ii), or (iv) of this definition, then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

“**Gross Receipts**” means, with respect to the Company, for any period, all revenues, income, earnings, or cash flow of any kind or description received during such period by or on behalf of the Company.

“**Involuntary Transfer**” means any of the following: the filing by or against a Member (where not dismissed within sixty (60) days of the date of filing), of a petition in bankruptcy, a petition in insolvency, or a creditor’s arrangement pursuant to the provisions of any state or federal insolvency or bankruptcy law;

- (i) the appointment of a receiver or trustee of the property of a Member by reason of said Member’s insolvency or inability to pay debts as required by law;
- (ii) the assignment for the benefit of creditors of any portion of a Member’s Units;
- (iii) the Transfer of all or any portion of a Member’s Units pursuant to a divorce decree, divorce settlement agreement, child support decree, child support settlement agreement, or any other marriage dissolution proceeding; or
- (iv) any taking of all or any portion of a Member’s Units pursuant to any judgment, order, writ, execution, levy, foreclosure, attachment, garnishment, or any other legal process.

“**Involuntary Transferee**” means a Person who acquires or who is poised to acquire Units from a Member as the result of an Involuntary Transfer.

“**Losses**” has the meaning set forth below.

“**Member**” means a Person holding Units as reflected on Exhibit A, as the same may be amended and supplemented from time to time, including any Substituted Member.

“**Membership Interest**” has the meaning set forth in Section 4.1.

“**Minnesota Act**” means the Minnesota Revised Uniform Limited Liability Company Act, codified as Minn. Stat. §322C, and any successor to such statute.

“**Net Cash Flow**” means, for any period, Gross Receipts for such period minus Disbursements for such period, adjusted for additions to or reductions in Reserves.

“**Offered Units**” means (a) in the case of a Voluntary Transfer, the Units which are proposed to be Transferred by the Transferring Member to the Purchaser, as set forth in the Third Party Transfer Notice; (b) in the case of a Default Event that is an Involuntary Transfer, the Units of the Defaulting Member which are subject to the Involuntary Transfer; or (c) in the case of a Default Event that is a Change In Control, all of the Units of the Defaulting Member.

**“Permitted Transfer”** has the meaning set forth in Section 8.2.1.

**“Permitted Transferee”** means, with respect to a Member:

- (i) his or her spouse;
- (ii) his or her parents, children, step children, grandchildren, step grandchildren, or siblings;
- (iii) any entity that is under the Control of the Member;
- (iv) if the Member is an entity, the shareholders, members, partners, or other equity owners of the Member;
- (v) if the Member is a joint tenancy with rights of survivorship, the other joint tenant (whether upon the death or prior to the death of the other joint tenant);
- (vi) a trust, if the primary beneficiary(ies) of the trust are any one or more of the Member and the Persons described in clauses (ii) and (iii) above and the trustee of such trust is the Member or a successor trustee upon the death of the Member; or
- (vii) if the Transferring Member is a trust described in clause (vi) above, any one or more “primary beneficiary(ies)” of such trust (determined as if the Person who transferred the Units to such trust was the Transferring Member). As used herein, the term “primary beneficiary(ies)” means the Person or Persons who are eligible at the time of the Transfer to receive distributions of income or principal from that trust on a current basis.

**“Person”** means any individual or entity, including a limited liability company, partnership, association, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, government or governmental agency or authority.

**“Preemptive Rights Percentage”** means, as to each Series A Member, a percentage equal to such Member’s Series A Preferred Units divided by all issued and outstanding Series A Preferred Units, not including any Series A Preferred Units held by Unadmitted Assignees.

**“Preferred Return”** means, with respect to each Series A Member, the amount, determined as of the date of any distribution of Preferred Return and when added to all prior distributions of Preferred Return to the Series A Member, that is necessary to give the Series A Member a six percent (6%) cumulative, non-compounding, annual return on the amount of the Series A Member’s Unreturned Capital Contribution. For the avoidance of doubt, the Company may permit the Preferred Return to accrue over time without annual payment to the Member in order to first repay the Unreturned Capital Contribution, but by no means shall this return be waived in any capacity.

**“Prime Rate”** means the prime rate of interest as published in the “Money Rates” section of the Wall Street Journal, as such rate of interest may change from time to time.

**“Profits”** or **“Losses”** means, for each Fiscal Year, an amount equal to the Company’s taxable income or loss for such Fiscal Year or period, as applicable, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be



stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

- (i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this paragraph shall be added to such taxable income or loss;
- (ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits and Losses pursuant to this paragraph shall be subtracted from such taxable income or loss;
- (iii) If the Gross Asset Value of any Company asset is adjusted pursuant to clauses (ii) or (iii) of that definition, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits and Losses;
- (iv) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of the Property differs from such value;
- (v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year, computed in accordance with the definition of Depreciation herein; and
- (vi) Notwithstanding any other provision of this definition, any items that are allocated pursuant to the Regulatory Allocations or any other provision of this Agreement shall not be taken into account in computing Profits and Losses.

**“Property”** means all assets owned by the Company, including all real and personal property.

**“Purchaser”** has the meaning set forth in Section 8.3.1(b).

**“Regulatory Allocations”** has the meaning set forth in Section 6.2.

**“Regulations”** means the income tax regulations (including temporary regulations) promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

**“Remaining Member”** means a Member who is not (i) a Transferring Member (in the case of a voluntary Transfer), or (ii) an Defaulting Member (in the case of a Default Event).

**“Reserves”** means, with respect to any period, the amount deemed necessary or appropriate by the Board for (i) funding reserves for contingent liabilities, working capital, repairs, replacements, and renewals; (ii) paying taxes, insurance, debt service, or other costs or expenses incident to the ownership or operation of the Company; and (iii) any other purposes deemed necessary or appropriate by the Board to meet the current or anticipated future needs of the Company.

“**Series A Adjusted Percentage Interest**” means the total number of Series A Units issued divided by the sum of the total number of Series A Units issued, plus the total number of Series B/C Units issued, multiplied by 2.

“**Series A Member**” means a Member who owns Series A Preferred Units.

“**Series A Preferred Unit**” has the meaning set forth in Section 4.2.1.

“**Series A Percentage Interest**” means, with respect to each Series A Member, such Series A Member’s percentage holding of the total outstanding Series A Preferred Units as set forth on Exhibit A as of the date of determination.

“**Series B/C Adjusted Percentage Interest**” means the total number of Series B/C Units issued divided by the sum of the total number of Series A Units issued, plus the total number of Series B/C Units issued, divided by 2.

“**Series B Member**” means a Member who owns Series B Founder Units.

“**Series B Founder Unit**” has the meaning set forth in Section 4.2.2.

“**Series B Percentage Interest**” means, with respect to each Series B Member, such Series B Member’s percentage holding of the total outstanding Series B Units as set forth on Exhibit B as of the date of determination.

“**Series B/C Percentage Interest**” means, with respect to each Series B/C Member, such Series B/C Member’s, as the case may be, percentage holding of the total aggregate outstanding Series B Founder Units and Series C Performance Units as set forth on Exhibit A as of the date of determination. For purposes of determining the Series B/C Percentage with respect to the allocation of purchase options, Units held by Unadmitted Assignees and the Units held by the Transferring Member or Defaulting Member shall be excluded.

“**Series C Member**” means a Member who owns Series C Performance Units.

“**Series C Performance Unit**” has the meaning set forth in Section 4.2.3.

“**Substituted Member**” has the meaning set forth in Section 9.1.

“**Successors**” means the successors, heirs, legatees, legal representatives, or assigns, as the case may be, of a Deceased Member.

“**Third Party Transfer Notice**” has the meaning set forth in Section 8.3.1.

“**Transfer**” means, as a noun, any voluntary or involuntary transfer, sale, pledge or hypothecation or other disposition, whether directly or indirectly and whether through one or a series of transactions, and, as a verb, voluntarily or involuntarily to transfer, sell, pledge or hypothecation or otherwise dispose of, whether directly or indirectly and whether through one or a series of transactions.

**“Transferring Member”** has the meaning set forth in Section 8.3.1.

**“Unadmitted Assignee”** has the meaning set forth in Section 9.2.

**“Units”** has the meaning set forth in Section 4.1.

**“Unreturned Capital Contribution”** means, with respect to each Series A Member, as of any date, an amount equal to the excess, if any, of (a) such Series A Member’s Capital Contributions, *less* (b) the aggregate amount of all prior distributions made to such Series A Member pursuant to Section 7.1. and Section 7.2 for all previous Fiscal Years.

**“Unpaid Preferred Returns”** means, with respect to each Series A Member, all accrued but unpaid Preferred Returns due to such Series A Member for the current Fiscal Year and all previous Fiscal Years.

**EXHIBIT E**  
**Subscription Agreement**  
(See attached)

**CHANHASSEN BREWING COMPANY  
SUBSCRIPTION AGREEMENT  
(Including investment representations)**

**IMPORTANT: This document contains significant representations.  
Please read carefully before signing.**

Chanhasseen Brewing Company  
Attn: Matthew Rosati  
95 West 79th Street  
Chanhasseen, MN 55317

Ladies and Gentlemen:

I desire to purchase the principal amount in “Series A Units” set forth below in CHANHASSEN BREWING COMPANY, a Minnesota limited liability company (the “Company”).

I understand that this Subscription Agreement is conditioned upon Company’s acceptance of subscriptions. If this Subscription Agreement has been accepted, the Series A Units subscribed to hereby shall be issued to me in the form of Series A Units.

With respect to such purchase, I hereby represent and warrant to you that:

**1 Residence.**

I am a bona fide resident of (or, if an entity, the entity is domiciled in) the state set forth on my signature page.

**2 Subscription.**

- a. I hereby subscribe to purchase the number of Series A Units set forth below, and to make capital contributions to the Company in the amounts set forth below, representing the purchase price for the Series A Units subscribed.

Principal Amount of Series A Units ..... (1)

(1) A minimum purchase of \$5,000, is required for individual investors, which may be waived by the Company on a case by case basis. Amounts may be subscribed for in \$1,000 increments.

- b. I have funded my purchase via ACH, wire transfer or I am enclosing a check made payable to “**CHANHASSEN BREWING COMPANY**” in an amount equal to 100% of my total subscription amount.
- c. I acknowledge that this subscription is contingent upon acceptance by the Company, and that the Company has the right to accept or reject subscriptions in whole or in part.

**3 Representations of Investor.**

In connection with the sale of the Series A Units to me, I hereby acknowledge and represent to the Company as follows: I hereby acknowledge receipt of a copy of the Confidential Private Placement Memorandum of the Company, dated on or about July 26, 2019, (the “Memorandum”), relating to the offering of the Series A Units.

- a. I have carefully read the Memorandum, including the section entitled “Risks Factors”, and have relied solely upon the Memorandum and investigations made by me or my representatives in making the decision to invest in the Company. I have not relied on any other statement or printed material given or made by any person associated with the offering of the Series A Units.
- b. I have been given access to full and complete information regarding the Company (including the opportunity to meet with the Founder of the Company and review all the documents described in the Memorandum and such other documents as I may have requested in writing) and have utilized such access to my satisfaction for the purpose of obtaining information in addition to, or verifying information included in, the Memorandum.
- c. I am experienced and knowledgeable in financial and business matters, capable of evaluating the merits and risks of investing in the Series A Units, and do not need or desire the assistance of a knowledgeable representative to aid in the evaluation of such risks (or, in the alternative, I have used a knowledgeable representative in connection with my decision to purchase the Series A Units).
- d. I understand that an investment in the Series A Units is highly speculative and involves a high degree of risk. I believe the investment is suitable for me based on my investment objectives and financial needs. I have adequate means for providing for my current financial needs and personal contingencies and have no need for liquidity of investment with respect to the Series A Units. I can bear the economic risk of an investment in the Series A Units for an indefinite period of time and can afford a complete loss of such investment.
- e. I understand that there may be no market for the Series A Units, that there are significant restrictions on the transferability of the Series A Units and that for these and other reasons, I may not be able to liquidate an investment in the Series A Units for an indefinite period of time.
- f. I have been advised that the Series A Units have not been registered under the Securities Act of 1933, as amended (“Securities Act”), or under applicable state securities laws (“State Laws”), and are offered pursuant to exemptions from registration under the Securities Act and the State Laws. I understand that the Company’s reliance on such exemptions is predicated in part on my representations to the Company contained herein.
- g. I understand that I am not entitled to cancel, terminate or revoke this subscription, my capital commitment or any agreements hereunder and that the subscription and agreements shall survive my death, incapacity, bankruptcy, dissolution or termination.
- h. I understand that capital contributions to the Company may not be returned after they are paid.

#### **4 Investment Intent; Restrictions on Transfer of Securities.**

- a. I understand that (i) there may be no market for the Series A Units, (ii) the purchase of the Series A Units is a long-term investment, (iii) the transferability of the Series A Units is restricted, (iv) the Series A Units may be sold by me only pursuant to registration under the Securities Act and State Laws, or an opinion of counsel that such registration is not required, and (v) the Company does not have any obligation to register the Series A Units.
- b. I represent and warrant that I am purchasing the Series A Units for my own account, for long term investment, and without the intention of reselling or redistributing the Series A Units. The Series A Units are being purchased by me in my name solely for my own beneficial interest and not as nominee for, on behalf of, for the beneficial interest of, or with the intention to transfer to, any other person, trust, or organization, and I have made no agreement with others regarding any of the Series A Units. My financial condition is such that it is not likely that it will be necessary for me to dispose of any of the Series A Units in the foreseeable future.
- c. I am aware that, in the view of the Securities and Exchange Commission, a purchase of securities with an intent to resell by reason of any foreseeable specific contingency or anticipated change in market values, or any change in the condition of the Company or its business, or in connection with a contemplated liquidation or settlement of any loan obtained for the acquisition of any of the Series A Units and for which the Series A Units were or may be pledged as security would represent an intent inconsistent with the investment representations set forth above.
- d. I understand that any sale, transfer, pledge or other disposition of the Series A Units by me (i) may require the consent of the Founder of the Company, (ii) will require conformity with the restrictions contained in this Section 4, and (iii) may be further restricted by a legend placed on the instruments or certificate(s) representing the securities containing substantially the following language:

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws and may not be sold, offered for sale, or transferred except pursuant to either an effective registration statement under the Securities Act of 1933, as amended, and under the applicable state securities laws, or an opinion of counsel for the Company that such transaction is exempt from registration under the Securities Act of 1933, as amended, and under the applicable state securities laws. The transfer or encumbrance of the securities represented by this certificate is subject to substantial restrictions.”

## 5 Investor Qualifications.

I represent and warrant as follows (Answer Part a, b or c, as applicable. Please check all applicable items):

**a. Accredited Investor – Individuals.** I am an INDIVIDUAL and:

- i. I have a net worth, or a joint net worth together with my spouse, in excess of \$1,000,000, excluding the value of my primary residence.
- ii. I had an individual income in excess of \$200,000 in each of the prior two years and reasonably expect an income in excess of \$200,000 in the current year.
- iii. I had joint income with my spouse in excess of \$300,000 in each of the prior two years and reasonably expect joint income in excess of \$300,000 in the current year.
- iv. I am a director or executive officer of CHANHASSEN BREWING COMPANY

**b. Accredited Investor – Entities.** The undersigned is an ENTITY and:

- i. The undersigned hereby certifies that all of the beneficial equity owners of the undersigned qualify as accredited individual investors by meeting one of the tests under items (a)(i) through (a)(iv) above. Please indicate the name of each equity owner and the applicable test:
- ii. The undersigned is a bank or savings and loan association as defined in Sections 3(a)(2) and 3(a)(5)(A), respectively, of the Securities Act either in its individual or fiduciary capacity.
- iii. The undersigned is an insurance company as defined in Section 2(13) of the Securities Act.
- iv. The undersigned is an investment company registered under the Investment Company Act of 1940 or a business development company as defined therein, in Section 2(a)(48).
- v. The undersigned is a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
- vi. The undersigned is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 and one or more of the following is true (check one or more, as applicable):
  - (1) the investment decision is made by a plan fiduciary, as defined therein, in Section 3(21), which is either a bank, savings and loan association, insurance company, or registered investment adviser;
  - (2) the employee benefit plan has total assets in excess of \$5,000,000; or
  - (3) the plan is a self-directed plan with investment decisions made solely by persons who are “accredited investors” as defined under therein.
- vii. The undersigned is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- viii. The undersigned has total assets in excess of \$5,000,000, was not formed for the specific purpose of acquiring Series A Units and one or more of the following is true (check one or more, as applicable):
  - (1) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;
  - (2) a corporation;
  - (3) a Massachusetts or similar business trust;
  - (4) a partnership; or
  - (4) a limited liability company.
- ix. The undersigned is a trust with total assets exceeding \$5,000,000, which is not formed for the specific purpose of acquiring Series A Units and whose purpose is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment in the Series A Units.

**c. Non-Accredited Investors.**

- The undersigned cannot make any of the foregoing representations and is therefore not an accredited investor.



## **6 Miscellaneous.**

- a. I agree to furnish any additional information that the Company or its counsel deem necessary in order to verify the responses set forth above.
- b. I understand the meaning and legal consequences of the agreements, representations and warranties contained herein. I agree that such agreements, representations and warranties shall survive and remain in full force and effect after the execution hereof and payment for the Series A Units. I further agree to indemnify and hold harmless the Company, and each current and future member of the Company from and against any and all loss, damage or liability due to, or arising out of, a breach of any of my agreements, representations or warranties contained herein.
- c. This Subscription Agreement shall be construed and interpreted in accordance with Minnesota law without regard to the principles regarding conflicts of law.

**SIGNATURE PAGE FOR INDIVIDUALS**

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature of Second Individual, if applicable

\_\_\_\_\_  
Name (Typed or Printed)

\_\_\_\_\_  
Name (Typed or Printed)

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Residence Street Address

\_\_\_\_\_  
Residence Street Address

\_\_\_\_\_  
City, State & Zip Code  
(Must be same state as in Section 1)

\_\_\_\_\_  
City, State & Zip Code  
(Must be same state as in Section 1)

\_\_\_\_\_  
Mailing Address  
(Only if different from residence address)

\_\_\_\_\_  
Mailing Address  
(Only if different from residence address)

\_\_\_\_\_  
City, State & Zip Code

\_\_\_\_\_  
City, State & Zip Code

\_\_\_\_\_  
Email address

\_\_\_\_\_  
Email address

**Individual Subscriber Type of Ownership:**

The Series A Units subscribed for are to be registered in the following form of ownership:

- Individual Ownership
- Joint Tenants with Right of Survivorship (both parties must sign). Briefly describe the relationship between the parties (e.g., married).
- Tenants in Common (both parties must sign). Briefly describe the relationship between the parties (e.g., married).

**SIGNATURE PAGE FOR TRUSTS AND ENTITIES**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name of Entity (Typed or Printed)

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Signature of Authorized Person

\_\_\_\_\_  
Entity's Tax Identification Number

\_\_\_\_\_  
Name & Title (Typed or Printed) of Signatory

\_\_\_\_\_  
Contact Person (if different from Signatory)

\_\_\_\_\_  
Principal Executive Office Address

\_\_\_\_\_  
Mailing Address  
(If different from principal executive office)

\_\_\_\_\_  
City, State & Zip Code  
(Must be same state as in Section 1)

\_\_\_\_\_  
City, State & Zip Code

\_\_\_\_\_  
Email address

\_\_\_\_\_  
Email address

**Entity Subscriber Type of Ownership:**

The Series A Units subscribed for are to be registered in the following form of ownership (check one):

- Partnership
- Limited Liability Company
- Corporation
- Trust or Estate (Describe, and enclose evidence of authority)
  
- IRA Trust Account
- Other (Describe)

**ACCEPTANCE**

This Subscription Agreement is accepted by CHANHASSEN BREWING COMPANY on

As to: the principal amount in Series A Units set forth in Item 2.a.; or Series A Units.

**CHANHASSEN BREWING COMPANY**

By:.....

Name: Matthew Rosati

Its: Founder

**Counterpart Signature Page to Operating Agreement of Chanhassen Brewing Company**

IN WITNESS WHEREOF, the undersigned hereby executes this counterpart signature page to the Operating Agreement of Chanhassen Brewing Company, as the same may be amended from time to time, and hereby authorizes Chanhassen Brewing Company to attach this counterpart signature page to the Operating Agreement as executed by the other parties thereto.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature of Second Individual, if applicable

\_\_\_\_\_  
Name (Typed or Printed)

\_\_\_\_\_  
Name (Typed or Printed)

**EXHIBIT F**  
**Financial Statements**  
(actual and projected)  
(See attached)



# Chanhasen Brewing Company

1798 Marigold Court, Chanhasen, MN 55317

Phone- 952-239-6419

Mrosati@Chanhasenbrewing.com

## Income Statement

<b>Revenue:</b>		
Gross Sales		0.00
Less Sales Returned/Allowance		<u>0.00</u>
<b>Net Sales</b>		<b>0.00</b>
<b>Cost of Goods Sold:</b>		
Purchases	0.00	
Delivery Charges	<u>0.00</u>	
Cost of Goods Sold:		<u>0.00</u>
<b>Gross Sales Profit (Loss)</b>		<b>0.00</b>
<b>Expenses:</b>		
Attorney Fees	7,377.00	
Office Supplies	462.64	
Water Quality report	42.00	
Business Supplies	55.61	
Meeting Expenses /Parking /Meals	291.93	
Professional Fees	2,735.06	
Website/Logo Design	1,766.00	
Email	84.00	
<b>Total Expenses:</b>		<u>12,814.78</u>
<b>Net Operating Income:</b>		<b>0.00</b>
<b>Other Income:</b>		
Income		<u>0.00</u>
<b>Total Other Income</b>		<b>0.00</b>
<b>Net Income (Loss)</b>		<u><u>0.00</u></u>



# Chanhasen Brewing Company

1798 Marigold Court, Chanhasen, MN 55317

Phone- 952-239-6419

Mrosati@Chanhasenbrewing.com

## Balance Sheet

<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	42,000.00
Accounts Receivable	0.00
Inventory	0.00
Prepaid Expenses	12,814.78
Investments	0.00
<b>Total Current Assets</b>	<b>54,814.78</b>
<b>Property and Equipment</b>	
Land	0.00
Buildings and Improvements	0.00
Equipment	0.00
<b>Total Assets</b>	<b>54,814.78</b>
<b>LIABILITIES:</b>	
<b>Current</b>	
Account Payable and Accrued Liabilities	0.00
Bank Loan	0.00
Deferred Revenues	0.00
<b>Total Liabilities:</b>	<b>0.00</b>
<b>Shareholders' Equity</b>	
Common Shares	0.00
Preferred "A" Shares	0.00
Preferred "B" Shares	1,500,000.00
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,500,000.00</b>





## Pro Forma Profit and Loss

<b>Assumptions:</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Average % of brew house capacity sold	12%	15%	17%	20%	22%
Average number of customers served per day	137	158	152	167	181
Days open during the week	6	6	7	7	7
Customers served per year	42,965	49,473	55,563	60,986	66,242
Pints needed per year	107,414	123,683	138,908	152,466	165,606
Batches needed per year	32	36	41	45	49
New mug club members	50	50	50	50	50
Square Feet in Facility	6052	6052	6052	6052	6052

<b>Revenue from operations</b>					
Revenue from beverage sales	646,038	747,272	837,186	923,229	1,006,917
Less: cost of goods sold	(131,833)	(166,578)	(205,212)	(227,122)	(248,733)
New Mug club mbr fees	5,000	5,000	5,000	5,000	5,000
<b>Net Revenue</b>	<b>519,205</b>	<b>585,694</b>	<b>636,974</b>	<b>701,107</b>	<b>763,184</b>
<b>Expenses</b>					
Credit Card Fees	13,020	14,945	16,743	18,464	20,138
Lease	20,000	20,000	20,000	20,000	20,000
Wages, taxes and benefits	225,261	280,261	315,261	350,261	385,261
Professional services	12,000	12,000	12,000	12,000	12,000
Utilities	14,400	15,200	16,000	16,800	17,000
Depreciation					
Supplies	6,000	6,000	6,000	6,000	6,000
License	5,040	5,190	5,340	5,490	5,640
Water System	3,000	3,000	3,000	3,000	3,000
Phone/internet	2,400	2,400	2,400	2,400	2,400
Marketing	10,000	10,000	10,000	10,000	10,000
Repair/Maintenance	4,000	5,000	6,000	7,000	8,000
Office Expenses	3,000	3,000	3,000	3,000	3,000
Insurance	20,000	20,000	20,000	20,000	20,000
Misc and Contingencies	12,000	13,000	14,000	15,000	16,000
<b>Total operating expenses</b>	<b>350,121</b>	<b>409,996</b>	<b>449,744</b>	<b>489,415</b>	<b>528,439</b>
<b>Savings or (loss) on operations</b>	<b>169,084</b>	<b>175,698</b>	<b>187,230</b>	<b>211,692</b>	<b>234,745</b>
<b>Other costs:</b>					
Premium Offering (6%)	50,000	44,641	38,743	32,061	23,978
Distribution (75%)	89,313	98,292	111,365	134,723	158,075
<b>Adjusted to Retained</b>	<b>29,771</b>	<b>32,765</b>	<b>37,121</b>	<b>44,908</b>	<b>52,692</b>

**EXHIBIT G**  
**Escrow Agreement**  
(actual and projected)  
(See attached)

## SUBSCRIPTION ESCROW AGREEMENT

**THIS ESCROW AGREEMENT**, dated as of July 26, 2019 (this “Agreement”), is entered into by and between Chanhassen Brewing Company, a Minnesota<sup>1</sup> limited liability company (the “Company”) and Sunrise Banks, National Association as Escrow Agent hereunder (“Escrow Agent”).

### RECITALS

- A. The Company is offering a minimum of 515,000 (the “Minimum Number”) of its Series A Units (“Securities”) and a maximum (the “Maximum Number”) of 833,000 of its Securities to subscribers (the “Subscriber(s)”) at a purchase price of \$1.00 per Security (the “Offering”);
- B. The Offering is intended to be exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 3(a)(11) and Rule 147 promulgated thereunder and by virtue of the MNvest registration exemption, Section 80A.461 of the Minnesota Statutes (collectively, the “Offering Exemptions”); and
- C. In compliance with the requirements of the Offering Exemptions, the Company has engaged David V Duccini as a portal operator (the “Portal Operator”) in connection with the Offering to provide an Internet website meeting the requirements of the Offering Exemptions (the “Portal”) and the Company is providing for the escrow of subscription payments (the “Subscription Payments”) received through the Portal in an escrow account (the “Escrow Account”) until certain conditions have been met and the Company and Escrow Agent desire to enter into an agreement with respect thereto.

**NOW THEREFORE**, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their respective successors and assigns, hereby agree as follows:

## 1 Definitions.

The following terms shall have the following meanings when used herein:

“Escrow Funds” shall mean the funds deposited in escrow with Escrow Agent pursuant to this Agreement.

“Final Escrow Closing Date” shall mean no earlier than July 26, 2020, unless prior to such date, the Company provides written notice to Escrow Agent of the extension of the Final Escrow Closing Date in accordance with the Offering Documents and applicable federal and state laws to a date no later than July 26, 2020<sup>2</sup>, in which case the Final Escrow Closing Date shall mean the extended date established by such extension. In the case of each such extension, the Company shall provide Escrow Agent with a written certification of the duly approved extended Final Escrow Closing Date that is signed on behalf of the Company by a duly authorized person so designated on Exhibit B hereto.

“Notice of Escrow Closing” shall mean a written certification in the form of Exhibit C hereto that is signed on behalf of the Company by a duly authorized person so designated on Exhibit B hereto, stating that the following conditions to closing on the Escrow Funds have been satisfied on or before the Final Escrow Closing Date:

- (i) the Company shall have received and accepted subscriptions for the Minimum Number of Securities in the Offering; and
- (ii) the Company is not subject to any stop order or other legal order prohibiting the Offering or the acceptance of the Subscription Payments.

“Notice of Failure of Escrow Closing” shall mean a written certification in the form of Exhibit D attached hereto that is signed on behalf of the Company by a duly authorized person so designated on Exhibit B hereto, stating that:

<sup>1</sup> Issuer must be organized under the laws of the state of Minnesota.

<sup>2</sup> Under MN Stat 80A.461, subd. 4(2).

- (i) the conditions to closing on the Subscription Payments being held in escrow have not been satisfied on or before the Final Escrow Closing Date;
- (ii) there has not been and will not be an escrow closing on the Subscription Payments; and
- (iii) directing Escrow Agent to return all Subscription Payments being held in the Escrow Account to the Subscribers.

“Offering Documents” shall mean the offering documents that have or will be provided to the Subscribers by the Company or the Portal Operator as required by the Offering Exemptions.

“Subscription Accounting” shall mean an accounting in spreadsheet format, prepared by the Company, indicating as of a particular date: (1) the unique identification number assigned to a Subscriber as part of the process of registration with the Portal, (2) the amount of the Subscription Payment(s) for the subscribed Securities, (3) the method of payment and date of deposit into the Escrow Account of the Subscription Payment relating thereto, including ACH information, and notations of any ACH return claims, (4) any withdrawal of any such subscription and by the Subscriber (if permitted), and (5) any rejection, cancellation or termination of any such subscription.

## **2 Appointment of and Acceptance by Escrow Agent; Effectiveness of Agreement.**

The Company hereby appoints Escrow Agent to serve as escrow agent hereunder, and Escrow Agent hereby accepts such appointment and agrees to act as Escrow Agent in accordance with the terms of this Agreement. Notwithstanding the earlier execution and delivery of this Agreement or anything in this Agreement to the contrary, this Agreement shall only become effective and binding on the parties as of the date that (a) the Company pays the fees of Escrow Agent under Section 11 hereunder; and (b) the effective period of the Offering shall have begun under the Offering Exemption and the Company shall have confirmed in writing the first day of such effective period to Escrow Agent.

## **3 Deposits into Escrow.**

- a. The Offering shall be conducted exclusively through the Portal. The Company shall at all times comply with the requirements of the Offering Exemptions in the conduct of the Offering, including the offer and sale of Securities, the provision of the Offering Documents to Subscribers, the collection of Subscription Payments, and the timing, form and content of instructions to Escrow Agent hereunder. The Company, and not Escrow Agent, shall be responsible for determining whether the Company has received subscriptions for the Minimum Number of Securities in the Offering, whether the aggregate amount of Securities purchased by a Subscriber will cause such Subscriber to exceed the investment limits of the Offering Exemptions, the residency or any other qualification of any Subscriber, and all other matters relating to the conduct of the Offering in compliance with the Offering Exemptions.
- b. The Company shall direct and shall ensure that the Portal shall direct all Subscribers to deliver all Subscription Payments directly to Escrow Agent for deposit into the Escrow Account. From time to time and upon request by Escrow Agent, the Company shall provide a Subscription Accounting to Escrow Agent.

Unless otherwise agreed to by Escrow Agent, in no event shall any Subscriber be permitted to make any Subscription Payment by credit card payment and Escrow Agent shall only accept ACH credits or such other forms of electronic payment as may be permitted by Escrow Agent in its sole discretion.

Subscription Payments shall be delivered to the Escrow Account in accordance with the instructions provided by Escrow Agent on or about the date of this Agreement. The Company shall ensure that the Portal functionality includes the ACH payment processing solution designated by Escrow Agent.

ALL FUNDS SO DEPOSITED SHALL REMAIN THE PROPERTY OF THE SUBSCRIBERS ACCORDING TO THEIR RESPECTIVE INTERESTS AND SHALL NOT BE SUBJECT TO ANY LIEN OR CHARGE BY ESCROW AGENT OR BY JUDGMENT OR CREDITOR'S CLAIMS AGAINST THE COMPANY OR THE PLATFORM OPERATOR UNTIL RELEASED TO THE COMPANY IN ACCORDANCE WITH SECTION 4 HEREOF. IN NO EVENT SHALL ANY OF THE ESCROW FUNDS BE COMMINGLED WITH DEPOSIT ACCOUNTS OF ESCROW AGENT OR OTHERWISE TREATED AS A DEPOSIT ACCOUNT OF ESCROW AGENT OR REFLECTED ON THE FINANCIAL STATEMENTS OF ESCROW AGENT.

- c. Notwithstanding anything to the contrary contained in this Agreement, the Company understands and agrees that all Subscription Payments received by Escrow Agent hereunder are subject to collection requirements of presentment and final

payment, and that the funds represented thereby cannot be drawn upon or disbursed until such time as final payment has been made and is no longer subject to dishonor. Upon receipt, Escrow Agent shall process each Subscription Payment it receives for collection, and the proceeds thereof shall be held as part of the Escrow Funds and disbursed in accordance with Sections 4 and 5 hereof. If, upon presentment for payment, any Subscription Payment is dishonored, Escrow Agent shall notify the Company of such dishonor.

d. Escrow Agent shall provide the Company with online access to view information relating to the Escrow Account.

## **4 Disbursement of Funds to the Company.**

a. Escrow Closing. Upon or within five (5) business days of the receipt of a Notice of Escrow Closing from the Company, a Subscription Accounting and such other certificates, notices or other documents as Escrow Agent shall reasonably require, Escrow Agent shall disburse to the Company the Escrow Funds then held by Escrow Agent (after deducting amounts paid or payable to Escrow Agent pursuant to Section 10 and Section 11 hereof and deducting amounts under Section 4(c) hereof).

b. Notwithstanding anything to the contrary herein provided, Escrow Agent shall be entitled to rely conclusively and without inquiry on any documents furnished to Escrow Agent by the Company which purport to be those documents contemplated by Section 4(a). Without limiting the foregoing, Escrow Agent shall have no duty or responsibility to review or seek to determine the truth, accuracy or sufficiency of any such documents. Escrow Agent shall have no duty to review any subscription agreement or Subscription Accounting, it being the understanding and agreement of the parties hereto that Escrow Agent shall disburse the Escrow Funds upon receipt of documents Escrow Agent believes, without any duty of further inquiry, to conform to the requirements set forth in Section 4(a).

c. All disbursements to the Company pursuant to Section 4 shall be by wire transfer pursuant to wire instructions provided by the Company on or about the date hereof. All disbursements of Escrow Funds to the Company under Section 4 shall be made in U.S. Dollars and subject to the fees and claims of Escrow Agent and the Indemnified Parties (as defined below) pursuant to Section 10 and Section 11. In furtherance and not in limitation of the foregoing, from the disbursement to the Company under Section 4(a) hereof, Escrow Agent shall not disburse and shall hold in the Escrow Account all funds credited to the Escrow Account in the 60 days immediately prior to the delivery of the Notice of Escrow Closing and not otherwise returned to satisfy claims (including under Section 10(b) hereof) until the first business day following 61 days after delivery of the Notice of Escrow Closing.

d. Notwithstanding the foregoing, Escrow Agent shall not disburse any Escrow Funds to the Company pursuant to Section 4(a) if Escrow Agent shall have received from the Company a Notice of Failure of Escrow Closing.

## **5 Return of Funds to Subscribers.**

a. Failure to Reach Escrow Closing. If, by the date that is five (5) business days after the Final Escrow Closing Date, Escrow Agent shall not have received a Notice of Escrow Closing, then Escrow Agent shall (i) notify the Company in writing that the conditions set forth in Section 4(a) have not been satisfied, and (ii) as soon as practicable but no later than five (5) days following the Final Escrow Closing Date, return the Escrow Funds then held by Escrow Agent to the Subscribers in the same manner and to the same account from which the Escrow Funds originated or in a manner otherwise as determined by Escrow Agent, with each Subscriber receiving the amount of the Subscription Payment received from such Subscriber then held in the Escrow Account, without interest or deduction. If Escrow Agent shall at any time have received a Notice of Failure of Escrow Closing, Escrow Agent shall likewise return the Escrow Funds as described in Section 5(a)(ii). The Subscription Payment returned to each Subscriber shall be made in U.S. Dollars and be free and clear of any and all claims of the Company, the Portal Operator, or any of its respective creditors, including but not limited to, any and all fees and claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 and Section 11.

b. Rejection or Cancellation of Any Subscription. As soon as practicable but no later than five (5) business days after receipt by Escrow Agent of written notice from the Company that the Company has rejected or intends to reject a Subscriber's subscription (which shall be rejected in whole and not in part) or written notice from the Company that a Subscriber has cancelled or that the Company has cancelled such Subscriber's subscription (which may be cancelled in whole and not in part), Escrow Agent shall return to the applicable Subscriber the amount of the Subscription Payment received from such Subscriber then held in the Escrow Account or which thereafter clears the banking system.

- c. Abandonment or Termination of Offering; Insolvency of the Company or the Portal Operator. As soon as practicable but no later than five (5) business days after receipt by Escrow Agent of (i) notice from the Company that the Offering is being abandoned or terminated, or (ii) notice of the Company's or the Portal Operator's insolvency or bankruptcy, or the institution of bankruptcy, reorganization, insolvency, foreclosure, receivership, or liquidation proceedings by or against the Company or the Portal Operator and, if against the Company or the Portal Operator, such proceedings have, in the case of bankruptcy, reorganization, insolvency or liquidation, continued without termination for at least thirty (30) days and, in the case of foreclosure or receivership, continued without termination for at least thirty (30) days, then Escrow Agent shall, subject to applicable court orders, if any, return the Escrow Funds then held by Escrow Agent to the Subscribers the amount of the Subscription Payments received from such Subscribers then held in the Escrow Account, without interest or deduction. The Subscription Payment returned to each Subscriber shall be made in U.S. Dollars and be free and clear of any and all claims of the Company, the Portal Operator or any of their respective creditors, including but not limited to, any and all fees and claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 and Section 11.
- d. In connection with a return of Subscription Payments to Subscribers pursuant to this Section 5, the Company shall provide Escrow Agent with a Subscription Accounting and such other certificates, notices or other documents as Escrow Agent shall reasonably require. Under no circumstances in connection with Escrow Agent's return of funds to Subscribers pursuant to this Section 5 shall a Subscriber receive from Escrow Agent less than the amount of all Subscription Payments made by the Subscriber.

## **6 Suspension of Performance or Disbursement Into Court.**

If, at any time, there shall exist any dispute between or among the Company, the Portal Operator, Escrow Agent, any Subscriber or any other person with respect to the holding or disposition of any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, or if at any time Escrow Agent is unable to determine, to Escrow Agent's reasonable satisfaction, the proper disposition of any portion of the Escrow Funds or Escrow Agent's proper actions with respect to its obligations hereunder, or if the Company has not within thirty (30) days of the furnishing by Escrow Agent of a notice of resignation pursuant to Section 8 hereof appointed a successor escrow agent to act hereunder, then Escrow Agent may, in its sole discretion, consult legal counsel selected by it and take either or both of the following actions:

- a. suspend the performance of any of its obligations under this Agreement until such dispute or uncertainty shall be resolved to the sole satisfaction of Escrow Agent or until a successor escrow agent shall have been appointed (as the case may be); or
- b. petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction in Ramsey County, Minnesota or in any venue convenient to Escrow Agent, for instructions with respect to such dispute or uncertainty, and to the extent required or permitted by law, pay into such court all Escrow Funds without deduction for holding and disposition in accordance with the instructions of such court and Escrow Agent shall thereupon be discharged from all further duties under this Agreement.

Escrow Agent shall have no liability to the Company, the Portal Operator, any Subscriber or any other person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any delay in the disbursement of funds held in the Escrow Funds or any delay in or with respect to any other action required or requested of Escrow Agent.

## **7 Investment of Funds.**

Escrow Agent shall hold the Escrow Funds in a non-interest bearing demand deposit account maintained by Escrow Agent. The Escrow Funds shall not be invested in any other securities or accounts, including, without limitation, corporate equity or debt securities, repurchase agreements, bankers' acceptances, commercial papers, or municipal securities. Notwithstanding anything to the contrary herein provided, Escrow Agent shall have no duty by reason of this Agreement to prepare or file any Federal or state tax report or return with respect to the Escrow Account.

## **8 Resignation of Escrow Agent.**

Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) days' prior notice to the Company. If, as of the effective date of such resignation, the Company has not appointed a successor escrow agent that has agreed in writing to such appointment, Escrow Agent shall return all Escrow Funds to Subscribers in accordance with Section 5(a)(ii). If, as of the effective date of such resignation, the Company has appointed a successor escrow agent that has agreed in writing to such appointment, Escrow Agent shall deliver to the Company and such successor escrow agent a full accounting of all Escrow Funds received, held and disbursed by Escrow Agent hereunder and shall deliver all Escrow Funds to the successor escrow agent. Upon the effectiveness of Escrow Agent's resignation, Escrow Agent shall be discharged from its duties and obligations under this Agreement, but shall not be discharged from any liability hereunder for actions taken as Escrow Agent hereunder prior to such resignation. After any Escrow Agent's resignation, the provisions of this Agreement shall continue to apply as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Agreement, provided that any and all claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 shall survive the termination of this Agreement or Escrow Agent's resignation. Any corporation or association into which Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the escrow business of Escrow Agent's corporate trust line of business may be transferred, shall be Escrow Agent under this Agreement without further act.

## **9 Duty and Liability of Escrow Agent.**

Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no duties shall be implied. The sole duty of Escrow Agent, other than as herein specified, shall be to receive the Escrow Funds and hold them subject to release, in accordance herewith. Escrow Agent shall have no duty to inquire or determine as to whether any person is complying with requirements of this Agreement or any applicable laws or regulations, including but not limited to federal or state securities laws, in connection with the Offering, including the depositing in the Escrow Account the Subscription Payments or the release of Escrow Funds pursuant to Section 4 or Section 5. Escrow Agent may conclusively rely upon and shall be protected in acting upon any statement, certificate, notice, request, consent, order or other document believed by it to be genuine and to have been signed or presented by the proper party or parties, not only as to its due execution and the validity (including the authority of the person signing or presenting the same) and effectiveness of its provisions, but also as to the truth, sufficiency and acceptability of any information therein contained. Escrow Agent shall have no duty or liability to verify any such statement, certificate, notice, request, consent, order or other document, and its sole responsibility shall be to act only as expressly set forth in this Agreement and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein or provided to it pursuant to the express provisions hereof. Escrow Agent shall not be responsible for the sufficiency or accuracy of the form of, or the execution, validity, value or genuineness of, any document or property received, held or delivered by it hereunder, or of any signature or endorsement thereon, or for any lack of endorsement thereon, or for any description therein; nor shall Escrow Agent be responsible or liable to the other parties hereto or to anyone else in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any document or property or this Agreement. Escrow Agent shall have no responsibility with respect to the use or application of any Escrow Funds released by Escrow Agent pursuant to the provisions hereof. Escrow Agent shall have no duty to solicit any Subscription Payment which may be due to be paid into the Escrow Account or to confirm or verify the accuracy or correctness of any amounts delivered into the Escrow Account or the calculation of the Minimum Number or the Maximum Number. Escrow Agent shall be under no obligation to institute or defend any action, suit or proceeding in connection with this Agreement, provided that, if it does so institute or defend any such action, suit or proceeding, it shall first be indemnified to its satisfaction. Escrow Agent shall have no duty to enforce any obligation of any person to make any payment or delivery, or to direct or cause any payment or delivery to be made, or to enforce any obligation of any person to perform any other act. Escrow Agent shall be under no liability to the other parties hereto or to anyone else by reason of any failure on the part of any party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. Escrow Agent shall have no liability with respect to the transfer or distribution of any funds by Escrow Agent pursuant to wiring or transfer instructions provided to Escrow Agent by the Company or the Portal Operator or set forth in any Subscription Agreement. Except for this Agreement (including any instructions given to Escrow Agent pursuant this Agreement), Escrow Agent shall not be obligated to recognize any agreement between, among or with any or all of the persons referred to herein, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof. Escrow Agent may consult counsel selected by it in respect of any question arising under this Agreement and Escrow Agent shall not be liable for any action taken or omitted in good faith upon advice of such counsel. The Company shall promptly pay, upon demand, the reasonable fees and expenses of any such counsel. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to lost profits), even if Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Escrow Agent shall not be responsible for delays or failures in performance resulting from acts beyond its control, including without limitation acts of God,

strikes, lockouts, riots, acts of war or terror, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes or other disasters. Escrow Agent is authorized, in its sole discretion, to comply with final orders issued or process entered by any court with respect to the Escrow Funds, without determination by Escrow Agent of such court's jurisdiction in the matter. If any portion of the Escrow Funds is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, Escrow Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel selected by it is binding upon it without the need for appeal or other action; and if Escrow Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated unless such compliance is commenced following any appeal, order, injunction or other proceeding which stays the requirement of compliance with any such order, writ, judgment or decree. Escrow Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines in a final non-appealable decision that Escrow Agent's gross negligence or willful misconduct was the direct cause of any loss to the Company.

## **10 Indemnification of Escrow Agent; Limitation on Liability of the Company.**

- a. From and at all times after the date of this Agreement, the Company shall indemnify and hold harmless Escrow Agent and each director, officer, employee, attorney, agent, parent, subsidiary and affiliate, and any director, officer, employee, attorney or agent of any such parent or subsidiary or affiliate of Escrow Agent (collectively, the "Indemnified Parties") from and against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever, including without limitation reasonable attorneys' fees, costs and expenses, incurred by or asserted against any of the Indemnified Parties, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, including without limitation the Company and the Portal Operator, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person (whether or not an Indemnified Party) under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transactions contemplated herein, whether or not any such Indemnified Party is a party to any such suit, action or proceeding or the target of any such inquiry or investigation; provided, however, that no Indemnified Party shall have the right to be indemnified hereunder for any liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted solely from the gross negligence or willful misconduct of such Indemnified Party. The Company further agrees to indemnify each of the Indemnified Parties for all costs, including without limitation reasonable attorney's fees, incurred by such Indemnified Parties in connection with the enforcement of the Company's indemnification obligations hereunder. Each Indemnified Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any action or claim brought or asserted against it, and the reasonable fees of such counsel shall be paid upon demand by the Company. The obligations of the Company under this Section 10 shall survive any termination of this Agreement and the resignation of Escrow Agent.
- b. In the event that Escrow Agent distributes Escrow Funds to the Company pursuant to this Agreement, and any Subscriber later has a claim to the return of funds which were distributed (including any ACH return claim), then, in addition to any other indemnification obligation of this Section 10, the Company shall indemnify Escrow Agent for any and all funds that Escrow Agent returns to the Subscribers in connection with such claim and any and all costs associated with returning those funds.

## **11 Fees and Expenses of Escrow Agent.**

Escrow Agent shall be entitled to compensation as described in Exhibit A attached hereto, at such time or times as set forth therein, for the services provided by Escrow Agent hereunder. The obligations of the Company under this Section 11 shall survive any termination of this Agreement and the resignation of Escrow Agent. The fees agreed upon for services rendered hereunder are intended as full compensation for Escrow Agent's services as contemplated by this Agreement; provided, however, that in the event Escrow Agent renders any material service not contemplated in this Agreement or there is any assignment of interest in the subject matter of this Agreement, or any material modification hereof, or if any material controversy arises hereunder, or Escrow Agent is made a party to any litigation pertaining to this Agreement, or the subject matter hereof, then Escrow Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs and expenses, including reasonable



attorney's fees, occasioned by any delay, controversy, litigation or event, and the same shall be recoverable from the Company. No fees and costs and expenses payable to Escrow Agent or an Indemnified Party under this Agreement shall be deducted, withheld or set off against the Escrow Funds, except upon disbursement of Escrow Funds to the Company pursuant to Section 4(a).

## **12 Representations and Warranties.**

The Company makes the following representations and warranties to Escrow Agent:

- a. It is duly organized, validly existing, and in good standing under the laws of the state of its incorporation or organization and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.
- b. This Agreement has been duly approved by all necessary action required for its part, has been executed by its duly authorized persons, and constitutes its valid and binding agreement, enforceable in accordance with its terms.
- c. The execution, delivery, and performance by it of this Agreement will not violate, conflict with, or cause a default under its governing instruments, any applicable law or regulation, any court order or administrative ruling or decree to which it is a party or any of its property is subject, or any agreement, contract, indenture or other binding arrangement, including without limitation with respect to the Offering, to which it is a party or any of its property is subject.
- d. It hereby acknowledges that the status of Escrow Agent is that of agent only for the limited purposes set forth herein, and hereby represents and covenants that no representations or implications shall be made that Escrow Agent has investigated the desirability or advisability of investment in the Securities or has approved, endorsed or passed upon the merits of the investments therein (and the Offering Documents shall contain a statement to that effect) and that the name of Escrow Agent has not and shall not be used in any manner in connection with the offer or sale of the Securities other than to state that Escrow Agent has agreed to serve as agent for the limited purposes set forth herein.
- e. Each of the persons designated on Exhibit B hereto have been duly appointed to act as its respective authorized representatives hereunder and, individually and as authorized representatives, have full power and authority to execute and deliver any written notice, instruction or direction to amend, modify or waive any provision of this Agreement and to take any and all other actions including giving or confirming funds transfer instructions under this Agreement, all without further consent or direction from, or notice to, it or any other party provided that any change in designation of such authorized representatives shall be provided by written notice delivered to each party to this Agreement.
- f. Other than the Subscribers, no party other than the parties hereto has, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.
- g. It possesses such valid and current licenses, certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct its business, to enter into and perform this Agreement, and in respect of the Offering; it has not received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such license, certificate, authorization or permit.
- h. All of its representations and warranties contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement of Escrow Funds.

## **13 Security Advice Waiver.**

The Company acknowledges that to the extent regulations of the Office of the Comptroller of the Currency or other applicable regulatory entity grant it the right to receive brokerage confirmations for certain security transactions as they occur, the Company specifically waives receipt of such confirmations to the extent permitted by law. Escrow Agent will furnish the Company periodic cash transaction statements that include detail for all transactions made by Escrow Agent.

## **14 Identifying Information.**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, Escrow Agent requires documentation to verify its formation and existence as a legal entity. Escrow Agent may ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. The Company acknowledges that a portion of the identifying information set forth herein is being requested by Escrow Agent in connection with the USA Patriot Act, Pub.L.107-56 (the "Act"), and the Company agrees to provide any additional information requested by Escrow Agent in connection with the Act or any similar legislation or regulation to which Escrow Agent is subject, in a timely manner. The Company represents and warrants that all identifying information provided to Escrow Agent, including any federal or state taxpayer identification number, is true and complete on the date hereof and will be true and complete at the time of any disbursement of Escrow Funds. The Company shall provide to Escrow Agent as requested such information relating to the Subscribers as may reasonably be required by Escrow Agent in connection with the Act or any similar legislation or regulation to which Escrow Agent is subject, in a timely manner.

## **15 Tax Reporting.**

Escrow Agent shall have no responsibility for the tax consequences of this Agreement and hereby advises each party to consult with independent counsel concerning any tax ramifications. The Company shall prepare and file all required tax filings with the IRS and any other applicable taxing authority. Further, the Company agrees to (i) assume all obligations imposed now or hereafter by any applicable tax law or regulation with respect to payments or performance under this Agreement, (ii) request information from Escrow Agent in writing with respect to withholding and other taxes, assessments or other governmental charges, all of which shall be the responsibility of the Company, and advise Escrow Agent in writing with respect to any certifications and governmental reporting that may be required under any applicable laws or regulations, and (iii) indemnify and hold Escrow Agent harmless pursuant to Section 10 hereof from any liability or obligation on account of taxes, assessments, additions for late payment, interest, penalties, expenses and other governmental charges that may be assessed or asserted against Escrow Agent.

## **16 Consent to Jurisdiction and Venue.**

In the event that any party hereto commences a lawsuit or other proceeding relating to or arising from this Agreement, the parties hereto agree that the courts in Ramsey County, Minnesota courts shall have sole and exclusive jurisdiction and shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of the courts specified herein and agree to accept service or process to vest personal jurisdiction over them in any of these courts.

## **17 Notice.**

Any notice and other communications hereunder shall be in writing and shall be deemed to have been validly served, given or delivered five (5) days after deposit in the United States mails, by certified mail with return receipt requested and postage prepaid, when delivered personally, one (1) day after delivery to any overnight courier, or when transmitted by facsimile transmission facilities, and addressed to the party to be notified as follows:

If to the Company at:

Chanhassen Brewing Company  
95 West 79th Street  
Chanhassen, MN 55317  
Phone: 952-239-6419  
Fax:  
Attention: Matthew Rosati

If to Escrow Agent:

Sunrise Banks, National Association  
2300 Como Avenue  
Saint Paul, MN 55108  
Fax: (651) 259-6808  
Attention: Crowdfunding Escrow Services

or to such other address as a party may designate for itself by like notice.

## **18 Amendment or Waiver.**

This Agreement may be amended, changed, waived, discharged or terminated only by a writing signed by the Company and Escrow Agent. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion. This Agreement may not be assigned by any party without the prior written consent of the other parties.

## **19 Severability.**

To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

## **20 Governing Law.**

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Minnesota without giving effect to the conflict of laws principles thereof.

## **21 Entire Agreement.**

This Agreement constitutes the entire agreement between the parties relating to the acceptance, collection, holding, investment and disbursement of the Escrow Funds and sets forth in their entirety the obligations and duties of Escrow Agent with respect to

the Escrow Funds. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

## **22 Binding Effect.**

All of the terms of this Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of the Company and Escrow Agent.

## **23 Execution in Counterparts.**

This Agreement and any written notice may be executed in two or more counterparts, which, when so executed, shall constitute one and the same agreement or notice.

## **24 Termination.**

Upon the first to occur of the disbursement of all amounts in the Escrow Account pursuant to Section 4 or 5 hereof or deposit of all amounts in the Escrow Account into court pursuant to Section 6 hereof, this Agreement shall terminate and Escrow Agent shall have no further responsibilities whatsoever with respect to this Agreement or the Escrow Funds.

## **25 Publicity.**

No party will (a) use any other party's proprietary indicia, trademarks, service marks, trade names, logos, symbols, or brand names, or (b) otherwise refer to or identify any other party in advertising, publicity releases, or promotional or marketing publications, or correspondence to third parties without, in each case, securing the prior written consent of such other party.

## **26 WAIVER OF TRIAL BY JURY.**

EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION (1) ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR (2) IN ANY WAY IN CONNECTION WITH OR PERTAINING OR RELATED TO OR INCIDENTAL TO ANY DEALINGS OF THE PARTIES TO THIS AGREEMENT OR IN CONNECTION WITH THIS AGREEMENT OR THE EXERCISE OF ANY SUCH PARTY'S RIGHTS AND REMEDIES UNDER THIS AGREEMENT OR THE CONDUCT OR THE RELATIONSHIP OF THE PARTIES TO THIS AGREEMENT, IN ALL OF THE FOREGOING CASES WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER IN CONTRACT, TORT OR OTHERWISE. EACH OF THE PARTIES HERETO HEREBY FURTHER ACKNOWLEDGES AND AGREES THAT EACH HAS REVIEWED OR HAD THE OPPORTUNITY TO REVIEW THIS WAIVER WITH ITS RESPECTIVE LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A CONSENT BY ALL PARTIES TO A TRIAL BY THE COURT.

[Signature page follows.]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed and effective as of the date first above written.

**COMPANY:**

Chanhassen Brewing Company  
By: /s/ Matthew Rosati  
Name: Matthew Rosati  
Its: Founder

**ESCROW AGENT:**

**Sunrise Banks, National Association**  
By: /s/ Jason Scott  
Name: Jason Scott  
Its: VP – Regional Market Manager

**EXHIBIT A**  
**Compensation of Escrow Agent**  
**Schedule of Fees for Services as Escrow Agent**

**EXHIBIT B**

**Representatives:**

The following person(s) are hereby designated and appointed as Company representative under the Escrow Agreement (only one signature shall be required for any direction). No single Company representative may both give and confirm funds transfer instructions.

_____	_____	_____
Name	Specimen Signature	Telephone Number
_____	_____	_____
Name	Specimen Signature	Telephone Number

**EXHIBIT C**  
**Notice of Escrow Closing**

Date: [\_\_\_\_\_]

**VIA FACSIMILE AND U.S. MAIL**

Sunrise Banks, National Association  
2300 Como Avenue  
Saint Paul, MN 55108  
Fax: (651)259-6808  
Attention: Crowdfunding Escrow Services

Re: Chanhassen Brewing Company (the "Company") Notice of Escrow Closing

Dear Sir/Madam:

Reference is made to the Subscription Escrow Agreement dated as of \_\_\_\_\_ between the Company and Sunrise Banks, National Association, as escrow agent ("Escrow Agent"). Capitalized terms used herein shall have the meaning ascribed to such terms in the Subscription Escrow Agreement unless otherwise defined herein.

Please be advised that the following conditions have been satisfied:

- (i) the Company shall have received and accepted subscriptions for the Minimum Number of Securities in the Offering; and
- (ii) the Company is not subject to any stop order or other legal order prohibiting the Offering or the acceptance of Subscription Payments.

**ACCEPTED SUBSCRIPTIONS**

Attached hereto is a Subscription Accounting setting forth the Subscriptions Payments and subscriptions accepted by the Company as of the date of this notice.

In accordance with the Escrow Agreement, the Company hereby instruct you to disburse the Escrow Funds.



**WITHDRAWN, REJECTED OR CANCELLED SUBSCRIPTIONS**

You are hereby notified that all Subscriptions Agreements identified on the Subscription Accounting that were not accepted were withdrawn, rejected or canceled. The rejected, withdrawn and canceled subscriptions are shown with a \$0 in the "Accepted Amount Total" column on the Subscription Accounting. You are hereby instructed to return to the applicable Subscriber the amount of the Subscription Payment from such Subscriber being held in Escrow Account, without interest or deduction, as soon as practicable.

Please do not hesitate to call the undersigned with any questions or concerns you have regarding this notice of escrow closing.

Very Truly Yours,

/s/ Matthew Rosati

By: Matthew Rosati

Its: Founder

**EXHIBIT D**  
**Notice of Failure of Escrow Closing**

Date [\_\_\_\_\_]

**VIA FACSIMILE AND U.S. MAIL**

Sunrise Banks, National Association  
2300 Como Avenue  
Saint Paul, MN 55108  
Fax: (651)259-6808  
Attention: Crowdfunding Escrow Services

Re: Chanhassen Brewing Company (the "Company") Notice of Failure of Escrow Closing

Dear Sir/Madam:

Reference is made to the Subscription Escrow Agreement dated as of July 26, 2019 between the Company and Sunrise Banks, National Association, as escrow agent ("Escrow Agent"). Capitalized terms used herein shall have the meaning ascribed to such terms in the Subscription Escrow Agreement unless otherwise defined herein.

Please be advised that:

- (1) the Offering was terminated on \_\_\_\_\_ (the "Final Escrow Closing Date"); and
- (2) the conditions to closing on the Subscription Payments being held in escrow have not been satisfied on or before the Final Escrow Closing Date; and
- (3) there has not been and will not be an escrow closing.

Please return all Subscription Payments being held in the Escrow Account to the Subscribers.

Please do not hesitate to call the undersigned with any questions or concerns you have regarding this Notice of Failure of Escrow Closing.

Very Truly Yours,

/s/ Matthew Rosati

By: Matthew Rosati

Its: Founder

**EXHIBIT H**  
**Portal Agreement**  
(actual and projected)  
(See attached)

## INTRASTATE INVESTMENT CROWDFUNDING PORTAL AGREEMENT

This Portal Agreement (the "Agreement"), is made and entered into on July 26, 2019 (the "Effective Date"), by and between Silicon Prairie Portal & Exchange LLC ("SPPX" or "Vendor") and Chanhassen Brewing Company ("Customer"). Each party to this Agreement may be referred to individually as a "Party" and collectively as the "Parties."

### RECITALS

WHEREAS, SPPX provides an investment crowdfunding software platform which Customer will access under authorization from Vendor; and

WHEREAS, the Parties desire that SPPX make such platform and related services available to Customer under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### AGREEMENT

## 1 Definitions

As used in this Agreement, the following terms shall have the following meaning:

- a. "**Content**" means the visual information, documents, software, products, and services contained or made available to Customer in the course of using the Service (as defined hereinafter).
- b. "**Customer User Account**" means the account maintained by Customer's users which includes any related login credentials and certain Customer Data provided or submitted by Customer's users in the course of using the Service.
- c. "**Customer Data**" means any data, information, or material provided or submitted by Customer or by third-party users in the course of using the Service.
- d. "**Intellectual Property Rights**" means any unpatented inventions, patent applications, patents, design rights, copyrights, trademarks, service marks, trade names, domain name rights, mask work rights, know-how and other trade secret rights, and all other intellectual property rights, derivatives thereof, and forms of protection of a similar nature anywhere in the world.
- e. "**SPPX Technology**" means all of SPPX's proprietary technology (including software, hardware, products, processes, algorithms, user interfaces, know-how, techniques, designs, and other tangible or intangible technical material or information) made available to Customer by SPPX in providing the Service.
- f. "**Service(s)**" means SPPX's crowdfunding investment platform (the "Software Platform"), developed, operated, hosted, and maintained by SPPX, or ancillary online or offline products and services provided to Customer by SPPX, to which Customer is being granted access under this Agreement, including the SPPX Technology and the Content. The Services are further described in the documentation set forth in Appendix B.
- g. "**User(s)**" means Customer employees, representatives, consultants, contractors, agents, or prospective investors who are authorized to use the Service and have been supplied user identifications and passwords by Customer (or by SPPX at Customer's request).

## 2 Provision of Services

- a. Subject to the terms and conditions set forth in this Agreement (including any appendices), during the term of this Agreement, SPPX agrees to provide the Services and provide authorization to Customer and its Users with access and rights to use the Services subject to the fees set forth on Appendix A, attached hereto.

- b. Appendix A may be modified by the mutual written consent of the parties, in a form expressly amending such Appendices, to expand, limit or otherwise modify the scope the Services provided hereunder.
- c. SPPX will not provide any front-end web hosting services on the Customer's website, but shall provide installation, maintenance, support, and other related hosting services to Customer as part of the Services and to be hosted on a subdomain of the Customer's website.
- d. Neither the execution of this Agreement nor anything in it shall obligate SPPX to furnish any services beyond those described within this Agreement.

### **3 Access to Software Platform and Restrictions**

- a. SPPX hereby authorizes Customer to access and use the Service, solely for Customer's own business purposes, subject to the terms and conditions of this Agreement. All rights not expressly granted to Customer are reserved by SPPX.
- b. Customer may not access the Service for purposes of obtaining competitive advantages, including, but not limited to, monitoring its availability, performance or functionality, or for any other benchmarking or competitive purposes.

### **4 Customer Responsibilities**

- a. Customer is responsible for all activity occurring under Customer's User Accounts and shall abide by all applicable local, state, national, and foreign, laws, treaties and regulations in connection with Customer's use of the Service, including those related to data security and privacy, international communications, and the transmission of technical or personal data.
- b. Customer shall: (i) notify SPPX immediately of any unauthorized use of any password or account or any other known or suspected breach of security; (ii) report to SPPX immediately and use reasonable efforts to stop immediately any copying or distribution of Content that is known or suspected by Customer or Customer Users; and (iii) not impersonate another SPPX user or provide false identity information to gain access to or use the Service.
- c. Customer shall not (i) license, sublicense, sell, resell, transfer, assign, distribute, or otherwise commercially exploit or make available to any third party the Service or the Content in any way; (ii) modify or make derivative works based upon the Service or the Content; (iii) "frame" or "mirror" any Content on any other server or wireless or Internet-based device; or (iv) reverse engineer or access the Service in order to (a) build a competitive product or service, (b) build a product using similar ideas, features, functions or graphics of the Service, or (c) copy any ideas, features, functions or graphics of the Service.
- d. Customer shall not: (i) send spam or otherwise duplicative or unsolicited messages in violation of applicable laws; (ii) send or store infringing, obscene, threatening, libelous, or otherwise unlawful or tortuous material, including material harmful to children or violative of third party privacy rights; (iii) send or store material containing software viruses, worms, Trojan horses, or other harmful computer code, files, scripts, agents, or programs; (iv) interfere with or disrupt the integrity or performance of the Service or the data contained therein; or (v) attempt to gain unauthorized access to the Service or its related systems or networks.
- e. In connection with Customer's use of the Services on Customer's own front-end website, Customer's front-end materials, web pages, media, and graphics used in connection with the Services shall prominently indicate that Vendor is providing the back-end Services by using the phrasing "POWERED BY SILICON PRAIRIE ONLINE" alongside the SPPX logo, in a manner to be approved by Vendor prior to Customer's use of the Services with any third parties.

### **5 Account Information and Customer Data**

- a. Customer, not SPPX, shall have sole responsibility for the accuracy, quality, integrity, legality, reliability, appropriateness, and intellectual property ownership or right to use of all Customer Data, and SPPX shall not be responsible or liable for the deletion, correction, corruption, destruction, damage, loss or failure to store any Customer Data. In the event this Agreement is terminated (other than by reason of Customer's breach), SPPX will make available to Customer a file of the Customer Data within thirty (30) days of termination if Customer so requests at the time of termination.

- b. SPPX reserves the right to withhold, remove, and/or discard Customer Data without notice for any breach, including, without limitation, Customer's non-payment. Upon termination for cause, Customer's right to access or use Customer Data immediately ceases, and SPPX shall have no obligation to maintain or forward any Customer Data.

## **6 Intellectual Property Ownership**

- a. SPPX (and its affiliated entities, where applicable) shall retain all right, title, and interest, including all related Intellectual Property Rights, in and to the SPPX Technology, the Content and the Service and any suggestions, ideas, enhancement requests, feedback, recommendations, or other information provided by Customer or any other party relating to the Service.
- b. This Agreement is not a sale or license and does not convey to Customer any rights of ownership in or related to the Service, the SPPX Technology or the Intellectual Property Rights owned by SPPX. SPPX's name, SPPX's logo, and the product names associated with the Service are trademarks of SPPX or third parties, and no right or license is granted to use them.

## **7 Third Party Goods and Services**

- a. Customer may enter into correspondence with, and utilize the services from, third party service providers whose services are embedded into, or linked from, our Service offering. Any such activity, and any terms, conditions, warranties, or representations associated with such activity, is solely between Customer and the applicable third party. SPPX shall have no liability, obligation, or responsibility for any such correspondence, purchase, or utilization between Customer and any such third party. SPPX does not endorse any sites on the Internet that are linked through the Service. In no event shall SPPX be responsible for any content, products, or other materials on or available from such sites.
- b. Customer acknowledges that certain third party providers of ancillary software, hardware, or services may require Customer's agreement to additional or different license or other terms prior to Customer's use of or access to such software, hardware or services.

## **8 Term and Termination**

- a. This Agreement is effective as of the Effective Date and will remain in effect until terminated by SPPX or Customer within 30 days' notice.
- b. SPPX may terminate Customer's access to all or any part of the Services at any time, with or without cause, with or without notice, with immediate effect.
- c. Any breach of Customer's payment obligations or unauthorized use of the SPPX Technology or Service will be deemed a material breach of this Agreement. SPPX, in its sole discretion, may terminate Customer's password, account or use of the Service if Customer breaches or otherwise fails to comply with this Agreement.

## **9 Payment of Fees**

- a. Customer shall make payment to SPPX for the Services at the rates and terms agreed to in Appendix A of this Agreement.
- b. All payment obligations are non-cancelable and all amounts paid are nonrefundable. Customer shall provide SPPX with valid credit card, cash, check, crypto-currency or other approved payment information as a condition to signing up for the Service.
- c. SPPX will issue an invoice to Customer as set forth in Appendix A. SPPX's fees are exclusive of all taxes, levies, or duties imposed by taxing authorities, and Customer shall be responsible for payment of all such taxes, levies, or duties, excluding only U.S. (federal or state) taxes based solely on SPPX's income.

- d. Customer agrees to provide SPPX with complete and accurate billing and contact information. This information includes Customer's legal company name, street address, email address, and name and telephone number of an authorized billing contact. Customer agrees to update this information within thirty (30) days of any change to it. If the contact information Customer has provided is false or fraudulent, SPPX reserves the right to terminate or suspend Customer's access to the Service in addition to any other legal remedies.
- e. If Customer believes its invoice is incorrect, Customer must contact SPPX in writing within sixty (60) days of the invoice date of the invoice containing the amount in question to be eligible to receive an adjustment or credit.

## 10 Nonpayment and Suspension

- a. In addition to any other rights granted to SPPX herein, SPPX reserves the right to suspend or terminate this Agreement and Customer's access to the Service if Customer fails to timely pay Vendor as set forth in this Agreement. Customer will continue to be charged during any period of suspension. If Customer or SPPX terminates this Agreement, Customer will be obligated to pay all remaining amounts owed to SPPX in accordance with Sections 8 and 9 above.
- b. SPPX reserves the right to impose additional fees in the event Customer is suspended and thereafter requests reinstated access to the Service.

## 11 Representations and Warranties, Indemnification, and Disclaimers

- a. Each party represents and warrants that it has the legal power and authority to enter into this Agreement. SPPX represents and warrants that it will provide the Service in a manner consistent with general industry standards reasonably applicable to the provision thereof and that the Service will perform substantially in accordance with Appendix B under normal use and circumstances.
- b. Customer represents and warrants that Customer has not falsely identified Customer nor provided any false information to gain access to the Service and that Customer's billing information is correct.
- c. Customer shall indemnify, defend, and hold SPPX and its parent organizations, subsidiaries, affiliates, officers, governors, employees, attorneys, and agents harmless from and against any and all claims, costs, damages, losses, liabilities, and expenses (including attorneys' fees and costs) arising out of or in connection with: (i) a claim alleging that use of the Customer Data infringes the rights of, or has caused harm to, a third party; (ii) a claim, which if true, would constitute a violation by Customer of Customer's representations and warranties; or (iii) a claim arising from the breach by Customer or Customer Users of this Agreement, provided in any such case that SPPX (a) gives written notice of the claim promptly to Customer; (b) gives Customer sole control of the defense and settlement of the claim (provided that Customer may not settle or defend any claim unless Customer unconditionally releases SPPX of all liability and such settlement does not affect SPPX's business or Service); (c) provides to Customer all available information and assistance; and (d) has not compromised or settled such claim.
- d. SPPX shall indemnify, defend, and hold Customer and Customer's parent organizations, subsidiaries, affiliates, officers, directors, governors, managers, employees, attorneys, and agents harmless from and against any and all claims, costs, damages, losses, liabilities, and expenses (including attorneys' fees and costs) arising out of or in connection with: (i) a claim alleging that the Service directly infringes a copyright, patent issued as of the Effective Date, or a trademark of a third party; (ii) a claim, which if true, would constitute a violation by SPPX of its representations or warranties; or (iii) a claim arising from breach of this Agreement by SPPX; provided that Customer (a) promptly gives written notice of the claim to SPPX; (b) gives SPPX sole control of the defense and settlement of the claim (provided that SPPX may not settle or defend any claim unless it unconditionally releases Customer of all liability); (c) provides to SPPX all available information and assistance; and (d) has not compromised or settled such claim. SPPX shall have no indemnification obligation, and Customer shall indemnify SPPX pursuant to this Agreement, for claims arising from any infringement arising from the combination of the Service with any of Customer products, service, hardware or business process(s).
- e. SPPX MAKES NO OTHER REPRESENTATION, WARRANTY, OR GUARANTY AS TO THE RELIABILITY, TIMELINESS, QUALITY, SUITABILITY, TRUTH, AVAILABILITY, ACCURACY, OR COMPLETENESS OF THE SERVICE OR ANY CONTENT. SPPX DOES NOT REPRESENT OR WARRANT THAT (A) THE USE OF THE SERVICE WILL BE SECURE, TIMELY, UNINTERRUPTED, OR ERROR-FREE OR OPERATE IN COMBINATION WITH ANY OTHER HARDWARE, SOFTWARE, SYSTEM, OR DATA; (B) THE SERVICE WILL MEET CUSTOMER'S REQUIREMENTS OR EXPECTATIONS; (C) ANY



STORED DATA WILL BE ACCURATE OR RELIABLE; (D) THE QUALITY OF ANY PRODUCTS, SERVICES, INFORMATION, OR OTHER MATERIAL PURCHASED OR OBTAINED BY CUSTOMER THROUGH THE SERVICE WILL MEET CUSTOMER'S REQUIREMENTS OR EXPECTATIONS; (E) ERRORS OR DEFECTS WILL BE CORRECTED; OR (F) THE SERVICE OR THE SERVER(S) THAT MAKE THE SERVICE AVAILABLE ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS. THE SERVICE AND ALL CONTENT IS PROVIDED TO CUSTOMER STRICTLY ON AN "AS IS" BASIS. ALL CONDITIONS, REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT OF THIRD PARTY RIGHTS, ARE HEREBY DISCLAIMED TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW BY SPPX.

- f. SPPX'S SERVICES MAY BE SUBJECT TO LIMITATIONS, DELAYS, AND OTHER PROBLEMS INHERENT IN THE USE OF THE INTERNET AND ELECTRONIC COMMUNICATIONS. SPPX IS NOT RESPONSIBLE FOR ANY DELAYS, DELIVERY FAILURES, OR OTHER DAMAGE RESULTING FROM SUCH PROBLEMS.

## 12 Limitation of Liability

- a. IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY EXCEED THE AMOUNTS ACTUALLY PAID BY AND/OR DUE FROM CUSTOMER IN THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO SUCH CLAIM. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO ANYONE FOR ANY INDIRECT, PUNITIVE, SPECIAL, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL, OR OTHER DAMAGES OF ANY TYPE OR KIND (INCLUDING LOSS OF DATA, REVENUE, PROFITS, USE, OR OTHER ECONOMIC ADVANTAGE) ARISING OUT OF, OR IN ANY WAY CONNECTED WITH THIS SERVICE, INCLUDING BUT NOT LIMITED TO THE USE OR INABILITY TO USE THE SERVICE, OR FOR ANY CONTENT OBTAINED FROM OR THROUGH THE SERVICE, ANY INTERRUPTION, INACCURACY, ERROR, OR OMISSION, REGARDLESS OF CAUSE IN THE CONTENT, EVEN IF THE PARTY FROM WHICH DAMAGES ARE BEING SOUGHT HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
- b. Certain states and/or jurisdictions do not allow the exclusion of implied warranties or limitation of liability for incidental, consequential, or certain other types of damages, so the exclusions set forth above may not apply to Customer.

## 13 Local Laws and Export Control; Securities Compliance

SPPX makes no representation that the Service is appropriate or available for use in other locations. Customer is solely responsible for compliance with all applicable laws, including all securities state and federal securities laws, and without limitation export and import regulations of other countries.

## 14 Notice

SPPX may give notice by means of a general notice on the Service, email to Customer address on record in SPPX's account information, or by written communication sent by first class mail or pre-paid post to Customer address on record in SPPX's account information. Such notice shall be deemed to have been given upon the expiration of 48 hours after mailing or posting (if sent by first class mail or pre-paid post) or 12 hours after sending (if sent by email). Customer may give notice to SPPX (such notice shall be deemed given when received by SPPX) at any time by any of the following: letter delivered by nationally recognized overnight delivery service or first class postage prepaid mail to SPPX at the following address:

Silicon Prairie Portal & Exchange LLC  
Attn: David V Duccini  
475 Cleveland Ave Suite 315  
St. Paul, MN 55104

## 15 Modification to Terms

SPPX reserves the right to modify the terms and conditions of this Agreement or its policies relating to the Service at any time, effective upon the posting of an updated version of this Agreement on the Service. Customer is responsible for regularly reviewing this Agreement. Continued use of the Service following a period of thirty (30) days after any such changes shall constitute Customer's consent to such changes.

## 16 Assignment; Change in Control

This Agreement may not be assigned by Customer without the prior written approval of SPPX, which shall not be unreasonably withheld, but may be assigned without Customer's consent by SPPX to (i) a parent or subsidiary, (ii) an acquirer of assets, or (iii) a successor by merger. Any purported assignment in violation of this section shall be void. Any actual or proposed change in control of Customer that results or would result in a direct competitor of SPPX directly or indirectly owning or controlling 50 percent or more of Customer shall entitle SPPX to terminate this Agreement for cause immediately upon written notice.

## 17 General

1. This Agreement shall be governed by Minnesota law and controlling U.S. federal law, without regard to the choice or conflicts of law provisions of any jurisdiction, and any disputes, actions, claims, or causes of action arising out of or in connection with this Agreement or the Service shall be subject to the exclusive jurisdiction of the state and federal courts located in Hennepin County, State of Minnesota.
2. No text or information set forth on any other purchase order, preprinted form, or document shall add to or vary the terms and conditions of this Agreement. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then such provision(s) shall be construed, as nearly as possible, to reflect the intentions of the invalid or unenforceable provision(s), with all other provisions remaining in full force and effect. No joint venture, partnership, employment, or agency relationship exists between Customer and SPPX as a result of this agreement or use of the Service. The failure of SPPX to enforce any right or provision in this Agreement shall not constitute a waiver of such right or provision unless acknowledged and agreed to by SPPX in writing. This Agreement comprises the entire agreement between Customer and SPPX and supersedes all prior or contemporaneous negotiations, discussions or agreements, whether written or oral, between the parties regarding the subject matter contained herein.

**IN WITNESS WHEREOF**, the parties have executed this Portal Agreement as of the Effective Date.

**SILICON PRAIRIE PORTAL & EXCHANGE ("SPPX"):**

**BY:** /s/ David V Duccini

**Name:** David V Duccini  
**Title:** Founder and CEO

**CUSTOMER:** Chanhassen Brewing Company

**By:** /s/ Matthew Rosati

**Name:** Matthew Rosati  
**Title:** Founder



**APPENDIX A  
Schedule of Fees\***

**Customer use of portal for up to one calendar year from effective date:**

Signup	\$2,500, plus
\$0 - \$100K	\$2,500, plus
\$100K - \$200K	\$5,000, plus
\$200K - \$300K	\$5,000, plus
\$300K - \$400K	\$5,000, plus
\$400K - \$500K	\$5,000, plus
\$500K - \$600K	\$5,000, plus
\$600K - \$700K	\$5,000, plus
\$700K - \$800K	\$5,000, plus
\$800K - \$900K	\$5,000, plus
\$900K - \$1M	\$5,000

\* SPPX reserves the right to discount fee based on the length of time that the securities are offered on the portal (pursuant to Minn 80A.461).

**APPENDIX B**  
**Description / Documentation of Services**

Investment Crowdfunding Portal Hosting Package, Investor Residency Verification, Investment Tracking, and all other services as may be necessary.

**APPENDIX C**  
**FBO Account Authorization Letter**

Chanhassen Brewing Company ("Customer") hereby Authorizes Silicon Prairie Holdings, Inc. ("SPPX") to initiate the creation of a bank account (the "FBO Account") for the benefit of Customer at Sunrise Banks ("Bank"), pursuant to that certain Third Party Sender ACH Agreement between SPPX and Bank dated July 21, 2017, in order to collect amounts contributed from investors to Customer to be held in escrow for the benefit of Customer. This authorization shall remain in full force and effect until SPPX has received written notification from Customer of its termination in such time and in such manner as to afford SPPX a reasonable opportunity to act on such notification.

**ASSIGNMENT.** Customer hereby assigns to SPPX its rights and management of the FBO Account during the term of the engagement, which is defined as commencing from the effective date of the Offering with the Minnesota Department of Commerce and concluding at the final close of its Offering. Customer expressly authorizes SPPX to add its name to such agreement as an FBO.

**DISBURSEMENT.** Customer understands that no funds can be disbursed until two conditions have been satisfied:

- 1 The Customer raises its stated minimum amount as documented in its filing with Commerce, and
- 2 The Customer has accepted signed subscription agreements, including via e-signature, from each of its investors.

SPPX will aid in the collection of signed subscription agreements and verify receipt prior to the disbursements of any funds from the escrow account. Signed subscription agreements can be obtained through the portal using e-signatures. Customer will be responsible for placing a digital signature on file with SPPX to be used for the sole and express purpose of countersigning subscription agreements on Customer's behalf.

Customer understands that all funds disbursed will be subject to transfer via an approved payment method, including but not limited to ACH, bank draft or wire transfer and will be subject to any fees required per method, to be deducted from funds held in escrow.

**RECESSION.** Customer understands that investors have the right to rescind their investment pledges up to 48 hours prior to the close of the offering and receive a full refund of all funds without fee.

**CHARGEBACKS.** Customer understands that investors who fund their escrow pledges via ACH can refute such transactions ("CHARGEBACK") for up to 60 days. In the event an investor initiates an ACH chargeback, Customer understands funds in the equivalent amount may be held back until the matter is cured at Customer's expense.

**RELEASE.** Customer hereby further agrees to release, indemnify and hold harmless SPPX as administrator of the FBO Account from any claim or demand arising out of the administration of the FBO Account.

## COMPLIANCE AND RECORD-KEEPING

Customer agrees:

- (i) To be bound by the Rules of the National Automated Clearing House Association (“Rules”);
- (ii) To assume the obligations and make the representation and warranties of an “Originator,” a “Third Party Service Provider” and/or a “Third Party Sender,” as the case may be and as such terms are defined under the Rules;
- (iii) To receive and maintain proper authorization from the “Receiver” for each “Entry” initiated on behalf of the Customer, as such terms are defined under the Rules;
- (iv) To be exposed to a limit and be subject to procedures for Third Party Sender to review and adjust the exposure limit periodically; and
- (v) To allow Third Party Sender to conduct regular audits of the Customer.

**EXHIBIT I**  
**Advertisement**  
(actual and projected)  
(See attached)

# Chanhassen Brewing Company

Chanhassen Brewing Company, a start-up craft brewery in the southwest suburbs, is excited to offer equity ownership to ALL Minnesotan's (accredited or non-accredited) through the new MNvest Program.



If you are a resident of MN, over 21, and a craft beer enthusiast, this is your opportunity to join the brewing community with ownership stake in our BREWERY.

Visit [sppx.io](http://sppx.io) today to see if this unique opportunity is right for you.

This advertisement is for informational purposes only. This offering is being made under the amendment to the Minnesota Securities Act (Minnesota Statutes, section 80A.461) and is directed at Minnesota residents only. All actual offers and sales will be made through the MNvest approved portal Silicon Prairie. The Department of Commerce is the securities regulator in Minnesota.



**EXHIBIT J**  
**Notice Filing Form**  
(actual and projected)  
(See attached)

## MNvest Issuer Notice Form

This form is for use by MNvest issuers to file notice of a MNvest offering with the Minnesota Department of Commerce. MNvest issuers completing this form must carefully review and comply with Minnesota Statute 80A.461 and Minnesota Rules 2876.3050 – 2876.3060.

### 1 Issuer Information

Name of Issuer: Chanhassen Brewing Company

Address: 95 West 79th Street

Chanhassen, MN 55317

Telephone: 952-239-6419

Email: mrosati@chanhassenbrewing.com

Issuer's website: chanhassenbrewing.com

### 2 Contact to whom communications regarding this Notice should be directed:

Name: Zachary J. Robins

Address: 100 South 5th Street, Suite 1400

Minneapolis, MN 55402

Telephone: (612) 672-3709

Email: zrobins@MesserliKramer.com

### 3 Offering Information<sup>1</sup>

Identify the broker-dealer or MNvest portal that will be used to offer the issuer's securities:

David V Duccini

---

<sup>1</sup>See Minnesota Statute 80A.461, Subd. 3 when completing this section.

Does the MNvest issuer also intend to act as portal operator?<sup>2</sup>  Yes  No  
(If yes, the issuer must register as a portal operator before commencing with the offering.)

Amount to be offered: \$833,000 in Series A Units

Minimum amount to be raised: \$515,000

Explain how the stated minimum offering will be sufficient to implement the issuer's business plan (attach additional pages if necessary):

**When the investments are received by the Company, we will be able to fund our growth plans, the particulars of which are more fully elaborated in Exhibit A of the Investor Package**

Offering Commencement Date: July 26, 2019

Offering Expiration Date: July 26, 2020

Name and contact information of Bank or Depository Institution (Escrow Agent) in which investor funds shall be deposited<sup>3</sup>:

Sunrise Banks

200 University Avenue West Suite 200, Saint Paul, MN 55103

ATTN: Nate Koenig neate.koenig@sunrisebanks.com 651-259-2275

## 4 Disqualifications

The MNvest issuer affirms that it has:

1. reviewed the disqualification provisions of Minn. Stat. 80A.461 Subd. 9(a); and
2. undertaken the inquiries needed to establish, under Minn. Stat. 80A.461, subd. 9(b)(4), that the issuer has no reason to know that a disqualification exists.

MR (Enter initials of person signing this form)

## 5 Additional Information

Please include the following with your submission:

- A copy of the issuer's disclosure document including all information required under Minnesota Statute 80A.461 Subd. 4. The disclosure document filed with the Department should include, as a cover page, the MNvest Offering Disclosure Guide provided on pages 4-5 of this form.

<sup>2</sup>See Minnesota Statute 80A.461, Subd. 1(d)

<sup>3</sup>See Minnesota Statute 80A.461, Subd. 3(8) and Minnesota Rule 2876.30515.

- A copy of a representative example of advertising that the MNvest Issuer intends to use to promote this offering or solicit prospective purchasers.
- A copy of the issuer's balance sheet and income statement as required by Minnesota Statute 80A.461 Subd. 3(4).
- A filing fee of \$300, made payable to the Minnesota Department of Commerce

The undersigned represents that the issuer understands the conditions that must be satisfied to be entitled to the MNvest Securities Registration Exemption and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied. The issuer has read this Notice and knows the contents to be true and has authorized the undersigned to sign this form on the issuer's behalf.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

**Matthew Rosati**  
Representative of Issuer (Print Name)  
**/s/ Matthew Rosati**  
(Signature)

**Founder**  
(Title)  
**July 26, 2019**  
(Date)

**Filing Instructions:** Issuers relying on the MNvest Securities Registration Exemption must submit this form and accompanying documents to the Minnesota Department of Commerce a minimum of ten (10) days prior to any offer or sale of a security that relies on this exemption. The form and all accompanying documents should be emailed to [Securities.Commerce@state.mn.us](mailto:Securities.Commerce@state.mn.us) with "MNvest notice" in subject line, or mailed to the Minnesota Department of Commerce at the below address:

Minnesota Department of Commerce  
Securities Section  
85 7<sup>th</sup> Place East, Suite 500  
Saint Paul, MN 55101

- A copy of a representative example of advertising that the MNvest Issuer intends to use to promote this offering or solicit prospective purchasers.
- A copy of the issuer's balance sheet and income statement as required by Minnesota Statute 80A.461 Subd. 3(4).
- A filing fee of \$300, made payable to the Minnesota Department of Commerce

The undersigned represents that the issuer understands the conditions that must be satisfied to be entitled to the MNvest Securities Registration Exemption and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied. The issuer has read this Notice and knows the contents to be true and has authorized the undersigned to sign this form on the issuer's behalf.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

**Matthew Rosati**  
Representative of Issuer (Print Name)  
**/s/ Matthew Rosati**  
(Signature)

*Matt Rosati*

**Founder**  
(Title)  
**July 22, 2019**  
(Date)

**Filing Instructions:** Issuers relying on the MNvest Securities Registration Exemption must submit this form and accompanying documents to the Minnesota Department of Commerce a minimum of ten (10) days prior to any offer or sale of a security that relies on this exemption. The form and all accompanying documents should be emailed to [Securities.Commerce@state.mn.us](mailto:Securities.Commerce@state.mn.us) with "MNvest notice" in subject line, or mailed to the Minnesota Department of Commerce at the below address:

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85 7<sup>th</sup> Place East, Suite 500  
Saint Paul, MN 55101

## MNvest Offering Disclosure Guide

**Pursuant to §80A.461 Subd. 4, issuers relying on the MNvest Securities Registration Exemption must create a disclosure document that contains the information and notices detailed below. A complete copy of the disclosure document must be made available through the MNvest portal to each prospective purchaser. Please list the page numbers of the disclosure document that include the information below.**

1. The MNvest issuer's type of entity, the address and telephone number of its principal office, its formation history for the previous five years, a summary of the material facts of its business plan and its capital structure, and its intended use of the offering proceeds, including any amounts to be paid from the proceeds of the MNvest offering, as compensation or otherwise, to an owner, executive officer, director, governor, manager, member, or other person occupying a similar status or performing similar functions on behalf of the MNvest issuer.

*Applicable page numbers within Disclosure Document:* **Exhibit A, coverage**

2. The MNvest offering must stipulate the date on which the offering will expire, which must not be longer than 12 months from the date the MNvest offering commenced.

*Applicable page numbers within Disclosure Document:* **Introduction to Investor Package, coverage**

3. A copy of the escrow agreement between the escrow agent, the MNvest issuer, and, if applicable, the portal operator, as described in subdivision 3, clause (8).

*Applicable page numbers within Disclosure Document:* **Exhibit G (all)**

4. The financial statements required under Minnesota Statute, section 80A.461 subdivision 3, clause (4).

*Applicable page numbers within Disclosure Document:* **Exhibit F (all)**

5. The identity of all persons owning more than ten percent of any class of equity interests in the company.

*Applicable page numbers within Disclosure Document:* **Exhibit B Schedule of unitholders**

6. The identity of the executive officers, directors, governors, managers, members, and other persons occupying a similar status or performing similar functions in the name of and on the behalf of the MNvest issuer, including their titles and their relevant experience.

*Applicable page numbers within Disclosure Document:* **Exhibit A, (Bios)**

7. The terms and conditions of the securities being offered, a description of investor exit strategies, and of any outstanding securities of the MNvest issuer; the minimum and maximum amount of securities being offered; either the percentage economic ownership of the MNvest issuer represented by the offered securities, assuming the minimum and, if applicable, maximum number of securities being offered is sold, or the valuation of the MNvest issuer implied by the price of the offered securities; the price per share, unit, or interest of the securities being offered; any restrictions on transfer of the securities being offered; and a disclosure that any future issuance of securities might dilute the value of securities being offered.

*Applicable page numbers within Disclosure Document:* **Exhibit B (all)**

8. The identity of and consideration payable to a person who has been or will be retained by the MNvest issuer to assist the MNvest issuer in conducting the offering and sale of the securities, including a portal operator, but excluding (i) persons acting primarily as accountants or attorneys, and (ii) employees whose primary job responsibilities involve operating the business of the MNvest issuer rather than assisting the MNvest issuer in raising capital.

*Applicable page numbers within Disclosure Document:* **Exhibit H (Appx A)**

9. A description of any pending material litigation, legal proceedings, or regulatory action involving the MNvest issuer or any executive officers, directors, governors, managers, members, and other persons occupying a similar status or performing similar functions in the name of and on behalf of the MNvest issuer.

*Applicable page numbers within Disclosure Document:* **N/A (No Pending Legal Matters)**

10. A statement of the material risks unique to the MNvest issuer and its business plans.

*Applicable page numbers within Disclosure Document:* **Exhibit C (all)**

11. A statement that the securities have not been registered under federal or state securities law and that the securities are subject to limitations on resale.

*Applicable page numbers within Disclosure Document:* **Investor Package, Introduction**

12. The following legend must be displayed conspicuously in the disclosure document:

“IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY SUBSECTION (e) OF SEC RULE 147 (CODE OF FEDERAL REGULATIONS, TITLE 17, PART 230.147 (e)) AS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SALES WILL BE MADE ONLY TO RESIDENTS OF MINNESOTA. OFFERS AND SALES OF THESE SECURITIES ARE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THE SECURITIES, ANY RESALE OF THE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.”

*Applicable page numbers within Disclosure Document:* **Investor Package, Introduction**

13. The following legend must be displayed conspicuously on the certificate or other document, if applicable, evidencing the security stating that:

“OFFERS AND SALES OF THESE SECURITIES WERE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THESE SECURITIES, ANY RESALE OF THESE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.”

*Applicable page numbers within Disclosure Document:* **Investor Package, Introduction**

14. Per MN Rules §2876.3055, MNvest issuers must take reasonable steps to ensure that purchasers' financial and personal information is properly secured. Reasonable steps include, at a minimum, a written cybersecurity policy that outlines the MNvest issuer's policies and procedures. Please carefully review the complete Rule for specific requirements.

*Applicable exhibit and webpage reference:* **<https://www.chanhassenbrewing.com/privacy-cybersecurity.html>**

**EXHIBIT K**  
**Cyberpolicy**

Can be found at <https://www.chanhassenbrewing.com/privacy-cybersecurity.html>